



# ***Daily Report***

## **China**

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# Daily Report

## China

FBIS-CHI-91-146

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30 July 1991

**NOTICE TO READERS:** An \* indicates material not previously disseminated in electronic form.

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## General

### Firms Seek Hong Kong, Mideast, Soviet Projects

HK2807064591 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 28 Jul 91 p 1

[By staff reporter Qu Yingpu]

[Text] Labour service and project engineering companies are vying for a slice of Hong Kong's multi-billion-dollar airport pie, while trying hard to regain their foothold in the Middle East.

Many of the companies are preparing to enter the bidding for the airport construction, which will cost between \$150 billion and \$256 billion, said Chen Yongcai, foreign economic cooperation director with the Ministry of Foreign Economic Relations and Trade (MOFERT).

"We can supply labour even for non-mainland successful bidders," he said.

The giant new airport project was finally approved by the Chinese and British governments early this month after months of tough negotiations over the cost of the project.

The mainland is already planning to send another 10,000 labourers to Hong Kong where a similar number of mainlanders are working in hotels, restaurants, construction and garment manufacturing.

"Hong Kong is a good market where earnings are high," Chen said. Monthly salaries are roughly \$800, of which a worker can keep 75 percent and the rest goes to the labour companies.

Mainland workers have advantages to compete on the Hong Kong labour market because people from both sides use the same language.

The mainland's labour services in Hong Kong, which started in the last couple of years, have replaced income lost because of the Gulf War. More than 10,000 workers were sent back from Iraq and Kuwait during the conflict.

Chen, who accompanied Premier Li Peng on his Middle East tour earlier this month, is confident of regaining the labour service and contracted engineering projects in the region.

A 53-member team leaves for Kuwait in two weeks to fight oil fires, making China the second country after the United States to take part in the job. So far more than 200 well fires have been extinguished while some 400 are still burning.

Chen said the Chinese fire fighters were confident their "unique techniques" would be successful. "They had purposely put one of the oil wells in Sichuan Province on fire to test their capability."

Chen said eight Chinese companies had already inspected Kuwait's business opportunities, some of which include helping to clear the harbours.

The two countries are negotiating to let Chinese companies help rebuild power stations and clean minefields in Kuwait.

"We are also negotiating the possibility of drilling for oil in Kuwait after putting out the fires," Chen said.

China is also trying to expand its labour services in the Soviet Union and the two countries signed \$700 million worth of labour and engineering contracts in June.

Potential expansion of labour service in the Soviet Union is big because only 13,000 Chinese are working in the Soviet Union, far below the contracted 30,000 persons.

Besides Hong Kong, Kuwait and the Soviet Union, Chen is also confident of the prospect of labour service contracts in Saudi Arabia.

The Chinese and Saudi Arabian companies are negotiating on starting to send Chinese labourers to this Gulf country while China is also talking with Iran about expanding such business, he said.

Other Gulf countries China is looking at for such business opportunities include the United Arab Emirates, Oman and Bahrain, Chen said.

There are currently 70,000 Chinese labourers working abroad and the number is expected to top 80,000 by the end of this year, with business turnover reaching \$2.25 billion. New contracts signed this year are expected to hit \$3 billion.

Despite slow business in the Middle East, new labour and project contracts China signed during the first six months of this year already reached \$1.28 billion, 6.7 percent more than during the same period of last year. Business turnover during the period was \$710 million, up 0.8 percent.

### Bessmertnykh Views Timing of Mideast Conference

OW2907185291 Beijing XINHUA in English  
1528 GMT 29 Jul 91

[Text] Moscow, July 29 (XINHUA)—Soviet Foreign Minister Aleksandr Bessmertnykh said today "the time is right" for a Middle East peace conference which should be held before the end of the year.

Speaking to reporters while awaiting the arrival of U.S. Secretary of State James Baker from Mongolia, Bessmertnykh said he would consider going to the Middle East with Baker if that might produce progress in setting up a conference.

"We are working together on the same platform, the same basis," he said.

But Baker was more cautious, only saying he wanted to discuss with Bessmertnykh his latest trip to the Middle East before saying more.

"We ought to have an opportunity to discuss the situation there before I give you an answer" about the prospect for a joint peace mission with Bessmertnykh, Baker said.

Asked whether he considers the time right for a conference, Baker said there were still some issues outstanding, but "I don't think the window of opportunity is closed."

The two men are to meet for an hour. Baker will then call on former Soviet Foreign Minister Eduard Shevardnadze before the arrival of U.S. President George Bush in Moscow tonight for a summit with Soviet President Mikhail Gorbachev on July 30-31.

Reports from Jerusalem quoted Israeli Prime Minister Yitzhaq Shamir as saying today that it would be possible to resolve problems blocking the peace conference during another visit by Baker.

Earlier, Israeli Foreign Minister David Levi said he expected Baker to return to the Middle East for another peace shuttle "in the next few days."

## U.S.-Soviet Moscow Summit Talks Set To Begin

### Foreign Ministers Meet

OW3007011291 Beijing XINHUA in English  
0018 GMT 30 Jul 91

[Text] Moscow, July 29 (XINHUA)—Soviet Foreign Minister Aleksandr Bessmertnykh held talks with U.S. Secretary of State James Baker at the Foreign Ministry here today.

They discussed issues related to the signing of the treaty on reduction of strategic offensive weapons, prospects for further negotiations on strategic arsenals.

Their talks also dealt with some regional problems, including the Middle East issue, and Soviet-American relations.

Prior to the meeting, Bessmertnykh told reporters that "it is appropriate time for convening a peace conference on the Middle East issue."

He said he was prepared to exchange views with his U.S. counterpart who has just ended his Middle East trip.

On his part, the foreign minister said, he would inform Baker of the messages the Soviet Union exchanged with the leaders of some Middle East countries on the regional problem.

Baker, who arrived here Monday from Mongolia, will join with U.S. President George Bush in the U.S.-Soviet summit Tuesday morning.

### Bush Arrival Noted

OW2907193991 Beijing XINHUA in English  
1907 GMT 29 Jul 91

[Excerpt] Moscow, July 29 (XINHUA)—U.S. President George Bush arrived here in the evening for the summit meeting with his Soviet counterpart Mikhail Gorbachev.

This is the fourth summit between Bush and Gorbachev, but the first ever called a "post-cold war summit," as the U.S. President termed it prior to his departure Monday.

"A lot has happened, a lot of change is still going on," Bush said.

Soviet-U.S. summits over the last three decades highlighted talk about arms reduction and easing confrontation, but during this meeting more attention will be given to economic issues and bilateral cooperation between the two sides.

"We are attempting to attain a new level of interaction and partnership," Soviet presidential spokesman Vitaly Ignatenko said on Monday.

In addition to the START treaty, a number of agreements will be signed, Ignatenko noted.

Issues on their agenda include the domestic situation in the Soviet Union, bilateral relations as well as Middle East events and finding a lasting solution for the Gulf after the war, Ignatenko said.

Both leaders hope to announce a Middle East conference under their joint sponsorship, the spokesman added.

In preparation for Bush's arrival, foreign ministers from the two countries held talks earlier on Monday. [passage omitted]

### Gorbachev Welcomes Bush

OW3007095491 Beijing XINHUA in English  
0918 GMT 30 Jul 91

[Text] Moscow, July 30 (XINHUA)—U.S. President George Bush said here today that his government will continue to develop close ties with the Soviets in all fields from weapons reduction to environment.

Bush, who arrived here Monday for a two-day state visit, said this during an official welcoming ceremony given by Gorbachev in the Kremlin this morning.

"Since my last visit in 1985, we've witnessed the opening of Europe and the end of a world polarized by suspicion," he said.

Hailing the "monumental" changes that have taken place in the Soviet Union, Bush reaffirmed that the United States is standing on the side of the Soviet Government, and will enhance cooperation with Moscow in economic, political, scientific and all other fields.

Gorbachev said in his speech that the year since the Washington summit "has been a challenging year," but the reform in the Soviet Union is irreversible and the Soviet people hope for better times.

The Soviet Union and the U.S. should live up to the expectations of the people and the international community, he added.

The two leaders will sign the Strategic Arms Reduction Treaty on Wednesday.

### Gorbachev, Bush Hold Talks

OW3007103491 Beijing XINHUA in English  
0957 GMT 30 Jul 91

[Text] Moscow, July 30 (XINHUA)—Soviet President Mikhail Gorbachev and U.S. President George Bush began their talks at 10:30 (local time) in the Kremlin's St. Catherine Hall today.

The two Presidents will exchange views on the situation in the Soviet Union, bilateral economic cooperation, arms control, and the situations in Yugoslavia, the Middle East and Cambodia.

Sources here said that after two hours of the talks, Foreign Minister Aleksandr Bessmertnykh and Secretary of State James Baker and some other officials from both sides will join their leaders in formal talks.

This is the sixth summit between the two leaders and George Bush's first visit to Moscow since he became U.S. President in 1989.

### Baker-Bessmertnykh Talks Continue

OW3007112291 Beijing XINHUA in English  
1100 GMT 30 Jul 91

[Text] Moscow, July 30 (XINHUA)—Soviet Foreign Minister Aleksandr Bessmertnykh continued talks today with his U.S. counterpart James Baker as Soviet-U.S. presidents held their independent summit in the Kremlin.

Baker, who arrived here on Monday, discussed with Bessmertnykh on issues involving the signing of the Strategic Arms Reduction Treaty and the Middle East.

The two foreign ministers will join the formal talks between Soviet President Mikhail Gorbachev and U.S. President George Bush two hours later.

During today's Soviet-U.S. summit, the two presidents will focus on the situation in the Soviet Union, bilateral economic cooperation, arms control, and the situations in Yugoslavia, the Middle East and Cambodia.

This is the fourth summit between the two presidents and the first visit to Moscow by Bush since he became U.S. President in 1989.

### U.S. 'Dominant Position' Viewed

HK3007063291 Hong Kong TA KUNG PAO  
in Chinese 30 Jul 91 p 2

["Political Talk" column by Shih Chun-yu (2457 0689 3768): "Bush Wins All Advantages at Moscow Summit"]

[Text]

### Bush's First Meeting in Moscow as U.S. President

U.S. President Bush left for Moscow yesterday to attend his fourth summit meeting with Gorbachev. This is the first U.S.-Soviet summit held in the capital of the Soviet Union since he became President in 1989. The situation of the U.S.-Soviet summit today clearly shows that the Soviet Union has much to ask from the United States, and Gorbachev is at a disadvantage and is slavishly dependent on the other. At this superpower summit meeting, the United States is really in a dominant position and the results will be the same with or without this meeting.

The day before yesterday, Bush told the press in Washington that this is the first summit between the United States and the Soviet Union since the end of the cold war, that many major incidents have happened, and certain things are still changing. He said that during his trip to Moscow, he would brief Gorbachev on U.S. intentions, offer some guarantees, and listen to Gorbachev's opinion on these issues.

Bush's number one objective this time is to sign a treaty on strategic nuclear arms reduction with Gorbachev tomorrow (Wednesday). This will be the third, and last, important arms reduction treaty between the United States and the Soviet Union in the past four years.

### Third Arms Reduction Treaty

The previous two arms reduction agreements are, respectively, a treaty on removing medium-range missiles signed in 1987, and a treaty on reducing conventional armaments among 22 European countries, signed last year. The arms race between the United States and the Soviet Union, which has been going on for more than 30 years, has now ended. The Berlin Wall and the Warsaw Pact, which used to be symbols of the cold war between the two superpowers, have both disappeared; the East Europe bloc is no more; and Soviet troops stationed in East Europe have been, or will be, brought back to the Soviet Union. The East-West military confrontation has come to a close. Today, the domestic political and economic crises in the Soviet Union are ever worsening and Gorbachev is expecting Bush to come to the Soviet Union and help resolve his economic difficulties. He also wishes to raise his prestige in fighting domestic opposition forces by signing the arms reduction treaty.

The transformation of U.S.-Soviet military confrontation into dialogue is indeed a tremendous change in the world situation after World War II. But there has been no concrete reply to Gorbachev's persistent request for



massive economic aid from the West. At the Group of Seven summit meeting held in London in mid-July, Gorbachev, though "invited" as a back-seat guest, went home empty-handed. The seven countries only agreed to provide the Soviet Union with technical and intellectual assistance and withheld substantial economic aid.

#### **MFN Trading Status Devoid of Substantial Significance**

It has been speculated that Bush will announce the extension of most favored nation [MFN] trading status to the Soviet Union on his present trip. This is what the Soviet Union has been after in recent years. In addition, agreements on expanding economic cooperation and developing bilateral relations will be concluded. MFN status does not mean much solid benefit for the Soviet Union because the amount of goods the Soviet Union can export to the United States is too small.

Another topic on the agenda of this U.S.-Soviet summit meeting is that the United States will ask the Soviet Union to support a Middle East peace conference promoted by the United States. The purpose of this conference is to eliminate the confrontation between the Arab states and Israel and bring about the first dialogue between Israel and the Arab states in the Middle East. Since the Gulf war ended, U.S. Secretary of State Baker has paid five visits to relevant Middle East countries with a view to bringing peace in the Middle East. This shows that the United States has become the only superpower that has maintained strong influence in the Middle East.

The Soviet Union today has lost the means to compete with the United States in the Middle East. With the worsening of its domestic crises, the Soviet Union is now unable to produce its own Middle East policy and cannot but follow the United States. Nevertheless, the United States still wants to draw the Soviet Union over to its side and promote the opening of a Middle East peace conference in the form of a U.S.-Soviet joint proposal, to demonstrate that the United States and the Soviet Union are cooperating with each other in settling regional disputes around the world. Whether a strategic nuclear arms control treaty is to be signed or the two countries promote the opening of a Middle East peace conference during Bush's present trip, the reality is that the United States dominates [zhi pei 2388 6792] the Soviet Union.

#### **Impact of Changed Relations**

HK3007100191 Hong Kong WEN WEI PO  
in Chinese 30 Jul 91 p 4

["Newsletter From America" by Chu Hsing-fu (2612 1630 4395), "WEN WEI PO special correspondent in Washington": "U.S.-Soviet Relations as Viewed From the Moscow Summit"]

[Text] Washington, 28 Jul (WEN WEI PO)—U.S. President Bush will arrive in Moscow on the evening of 29 July to begin a new U.S.-Soviet summit meeting, which is to last three days, with Soviet President Gorbachev.

What is different from the previous U.S.-Soviet summit meetings is the fact that the main topic of this meeting between Bush and Gorbachev will no longer be the old sticky question of how to avoid the outbreak of nuclear war between the United States and the Soviet Union, which has worried the two countries for 40 years. Instead, they will concentrate on discussing the cooperation between them in an attempt to help the Soviet Union extricate itself from the worsening economic crisis.

#### **The Major Topic of This Summit**

Signing the treaty on strategic arms reduction is the major topic of this U.S.-Soviet summit. Through marathon negotiations which went on for nearly 10 years, the United States and the Soviet Union have recently reached an agreement on this issue at long last. Both sides for the first time agreed to reduce their strategic weapons by one-fourth and nearly one-third respectively. Analysts here believe that the conclusion of a strategic arms reduction treaty between the U.S. and Soviet leaders is of profound significance. On the one hand, it reduces the danger of future nuclear war between the United States and the Soviet Union and, on the other, signifies that U.S.-Soviet relations are developing from the previous confrontation and hostility in various forms toward a stage of initial trust and cooperation. Nevertheless, in order to sign this treaty, the compromise made by the Soviet Union is obviously greater than that made by the United States, because the Soviet economy is faced with serious difficulties and Gorbachev is pleading for economic aid from the United States and Western countries. Had it not been for the greater compromise on the part of the Soviet Union, the United States and the Soviet Union would have remained deadlocked on some technical issues in the talks on strategic arms reduction and Bush would not have flown to Moscow to meet Gorbachev.

The U.S.-Soviet summit meeting between Bush and Gorbachev, apart from the signing of the treaty and discussing such issues as future arms control by the two countries, how to establish European security, and the convening of a Middle East peace conference, will focus on some other issues, including the Soviet Union's domestic political and economic reforms and how the United States can help the Soviet Union with its economy. During his present trip to the Soviet Union, Bush will not offer cash or economic aid to the Soviet Union. However, in order to encourage and support Gorbachev in carrying on with his reform, Bush will announce the extension of most favored nation status to the Soviet Union and promise to help the Soviet Union in technology and management, for example, signing agreements on bilateral economic cooperation, space navigation, and aviation.

#### **Why America Is Unwilling To Offer Massive Aid to the Soviet Union**

The reasons the United States is unwilling to offer a large amount of aid to the Soviet Union at the moment are,

first, the financial strength of the United States itself is limited, and, second, the United States is doubtful about Gorbachev's determination and capability in pushing through a market economy. The United States believes that if Gorbachev completely negated all previous practices, he would meet with strong opposition in his party. In addition, Soviet Government organs are plagued by bureaucracy, work efficiency is very low, and the country lacks well-trained cadres and managerial personnel; therefore, it is difficult to carry out Gorbachev's economic reform plan in a substantial way. The United States also thinks that as the egalitarian mentality is deep-rooted in the Soviet Union, any effort to thoroughly change the existing economic system is bound to run into numerous difficulties and resistance. According to a recent opinion poll conducted in Russia, the Ukraine, and Lithuania, the majority of the general public opposes the Soviet Union copying U.S.-style capitalism.

Another difference from three years ago, when the previous U.S.-Soviet summit was held, is that great changes have taken place in the Soviet Union. Not only has Moscow lost its control over East Europe, but its control over the union's republics is also being constantly weakened, and the 15 union republics and the central government are going through a power redistribution. As a result, U.S. relations with the Soviet Union are also being readjusted. Bush's current visit to the Soviet Union is no longer confined to contacts with the central government and Gorbachev alone. He will meet with the president of the Russian Republic, Yeltsin; visit the capital of the Ukrainian Republic, Kiev; and may meet the representatives of some other union republics. The timetable of Bush's current visit to the Soviet Union shows that while maintaining contact with Gorbachev's central government, the United States needs to establish appropriate economic and trade relations with some union republics.

#### **The United States and the Soviet Union Remain Highly Wary of Each Other**

Despite the marked improvement in U.S.-Soviet relations, the United States and the Soviet Union are still very watchful regarding each other due to historical, political, and military reasons. The United States is particularly cautious in dealing with the Soviet Union. One of the reasons is: Though the United States and the Soviet Union have reduced their strategic weapons by 25 percent and 30 percent, respectively, they still possess 9,000 and 7,000 nuclear warheads, respectively, aimed at each other and are capable of destroying each other within 30 minutes. In addition, the United States and the Soviet Union differ on many issues. For example, the United States is adamantly against approving the application of the Soviet Union to become a formal member of the IMF, and holds that the existing economic system of the Soviet Union disqualifies it from enjoying loans.

#### **Negotiators Note Importance of START Treaty**

OW2907142491 Beijing XINHUA in English  
1410 GMT 29 Jul 91

[Text] Geneva, July 29 (XINHUA)—After nine years of negotiations, American and Soviet negotiators on Monday initialed the START treaty which, for the first time in history, will reduce the number of strategic nuclear weapons.

The Strategic Arms Reduction Treaty (or START) will be formally signed by President George Bush and President Mikhail Gorbachev at their summit meeting in Moscow, being held on Tuesday and Wednesday.

The treaty was initialed by the chief American and Soviet negotiators, Ambassador Linton Brooks and Ambassador Yuriy Nazarkin, at the final plenary of the START talks between the two countries.

"We have met our mutual goals. The risk of war will be decreased and the stability of our strategic relationship enhanced," said Mr. Brooks.

Under the treaty, missiles with ranges of more than 4,800 kilometers, and their warheads will be reduced. The number of U.S. long-range nuclear warheads will be cut from 12,000 to around 10,500, and the Soviet warheads from 11,000 to between 7,000 and 8,000.

The treaty is more than 600 pages long and four inches thick. Mr. Brooks and Mr. Nazarkin initialed the pages of the two copies in Russian and in English, certifying that each page was correct and that each word and phrase carried the same meaning in both languages. They will take the documents to Moscow on Tuesday for President Bush and President Gorbachev to sign at the summit.

The United States and the Soviet Union began the START negotiations exactly nine years and one month ago, on June 29, 1982. After many ups and downs, the treaty was finally concluded earlier this month in London when President Bush and President Gorbachev agreed on a solution to the outstanding issue holding up the treaty. The issue of missiles' "throw-weights" had plagued the talks virtually from the start.

Both ambassadors Brooks and Nazarkin stressed the importance of the treaty, saying it would increase the stability and security of the U.S. and the Soviet Union.

"The treaty's provisions increase stability by a major reduction in the most destabilizing and dangerous of weapons, land-based ballistic missiles and their warheads, and by placing restrictions on specific types of strategic weapons," Mr. Brooks said.

"At the same time, the treaty allows the necessary flexibility that assures both sides' security as we move toward a new world order."

Mr. Nazarkin said the treaty would constitute "a profound foundation" for the development of U.S.-Soviet relationship. He said resources that had been used for

the production of strategic weapons would be released and used for the purpose of economic development.

### Beijing Radio Commentary Reviews G-7 Summit

OW2707164191 Beijing Central People's Radio  
Network in Mandarin 0430 GMT 27 Jul 91

[Commentary by (Ren Jing) of the International Financial Research Institute of the Bank of China: "An Unusual Meeting"]

[Text] The annual summit of the seven Western countries was held from 15 to 17 July in London. A conspicuous feature of the meeting was that Soviet President Gorbachev was invited to meet with leaders of the seven countries after the meeting to discuss the situation of political and economic reform in the Soviet Union and to discuss how to help the deteriorating Soviet economy. This was an unprecedented event in the previous 16 annual meetings.

In fact, the agenda of the G-7 summit always stresses Western problems. The most important thing is to coordinate the macroeconomies of various countries, including coordination in financial and monetary matters and trade policies. Other problems include aid to the Third World and environmental protection.

Following drastic changes in East Europe and the end of the cold war, coping with new relations between East and West has become a topic of common concern for the seven Western countries.

The Soviet economy has been deteriorating in recent years. This has had a great impact on Western politics and economies. Therefore, in coordinating the global macroeconomy, Western countries have started to take the factor of the Soviet Union into consideration. Western countries, however, do not agree on how to help the Soviet Union. Politically, those countries that take a positive attitude hold that helping the Soviet Union carry out its reform would be conducive to stabilizing the capitalist world. In the course of a gradual transition to a market economy in the Soviet Union, Western countries might exert a certain influence on the Soviet Union and thus ensure that the cold war situation will not recur. This will also be conducive to reducing military expenditures by Western countries and adjusting their economic structures. Economically, the Soviet Union has a large territory and abundant natural resources with great market potential. Therefore, investing in the Soviet Union could garner long-range economic benefits.

Germany and France held that the smooth implementation of reform in the Soviet Union would be conducive to promoting stability in Europe. If the Soviet Union falls into political and economic difficulties, a large number of refugees may pour into West Europe; Germany and France would be first to shoulder this problem. Accordingly, Germany and France have taken a positive attitude on the question of aiding the Soviet Union.

Nevertheless, there are also quite a few opinions against such a move. Japan always places the return of the four northern islands as a prerequisite for assisting the Soviet Union. The United States and Britain, due to their own economic recessions, are unable to provide massive economic aid to the Soviet Union, although they want very much to do so.

What is more important is that the Soviet economy is continuously deteriorating. The way in which to implement reform in the Soviet Union is still uncertain, as is whether it can smoothly carry out reform. Under such circumstances, some Western countries are afraid to take a big risk.

It is precisely due to different views on the issue of aiding the Soviet Union that the current summit meeting did not provide any concrete aid to the Soviet Union. However, Western countries cannot but adopt a pose of assisting the Soviet Union. At the end of the summit, British Prime Minister John Major announced a six-point plan, unanimously approved by leaders of the seven countries, to help the Soviet Union in its transition toward the market economy. The plan includes extending to the Soviet Union special association with the International Monetary Fund and the World Bank; cooperation between the seven Western countries and international financial organizations to extend to the Soviet Union practical advice on carrying out its economic reform; providing technical assistance to the Soviet Union in developing energy resources, converting military industries to civilian use, improving food distribution, increasing nuclear safety, and improving transportation; providing a market for Soviet commodities and labor; and having the rotating host of the Group of Seven meetings maintain close contacts with the Soviet leader. This plan shows that the seven Western countries are willing to bring the Soviet Union into the orbit of the world economic system.

The topic discussed most warmly and taking the longest time at this summit was the General Agreement on Tariffs and Trade. This involved the question of how to make a success of the Uruguay Round. The heads of the participating countries agreed that the Uruguay Round is of utmost importance to the world economy. They expressed the determination to promote and bring about a successful conclusion of the talks before the end of this year. If the talks fail, said the heads of the seven countries, an emergency G-7 summit meeting will be convened later this year to discuss intervention in this question.

The Uruguay Round, which began in 1986, is at an impasse on the question of agricultural subsidies. The United States tried to have industrially developed countries drastically cut their agricultural subsidies, but members of the European Community, especially Germany and France, had reservations about this. Also, Japan remained silent with regard to the opening of the rice market. With the upturn of trade protectionism and the uncompromising stance taken by various countries to



maintain their own economic interests, it is not very easy to make a success of the trade talks.

Another major topic on the agenda of the G-7 summit was the reduction and exemption of debts. The debt crisis, which broke out in 1982, has become a heavy burden on the economic growth of developing countries. In 1983, the balance in developing countries' foreign debt accounts totaled \$644 billion. As of the end of 1990, developing countries had repaid \$673 billion of foreign debts, but the balance in their foreign debts accounts had increased to \$950 billion. The 1988 G-7 summit held in Toronto made the proposal, for the first time, to reduce and exempt debts. During the two years or so since then, 19 countries were given debt-reduction or exemption treatment. However, the debts that these countries are unable to repay each year still stand at \$100 billion, far more than the amount reduced or exempted by industrial countries.

In March 1989, U.S. Secretary of the Treasury Nicholas Brady proposed that bank debts of 40 developing countries be reduced 20 percent. Now, two years have elapsed, but only five countries, namely, Mexico, Venezuela, Costa Rica, Uruguay, and the Philippines, received debt reductions or exemptions. Moreover, the amount reduced or exempted is less than 5 percent of the debts to be repaid by these developing countries in the fiscal year concerned.

The burden of debts has not only encumbered developing countries but has been a drag on industrially developed countries as well. The voice among developing countries for reduction of debts is growing with each passing day. Under these circumstances, the current G-7 summit has decided to cut by 50 to 80 percent the official debts of the most underdeveloped and moderate-income countries in the world, including predominantly sub-Saharan African countries, Poland, and Egypt. This does not, however, include the debts of developing countries to international financial organizations and commercial banks.

Compared with previous summits, the current meeting failed to show any efforts to orchestrate the interest- and exchange-rate policies of the seven Western countries. This is because the finance ministers of the seven Western countries already held two meetings, in April and June this year, to exchange views on economic coordination.

The heads of the seven countries expressed optimism about the future of the world economy. There are, of course, numerous questions confronting the world economy. It was stressed by the heads of the seven countries that all countries should strengthen their coordinated efforts to lower the actual interest rates, reduce financial deficits, and boost savings in order to promote the growth of the world economy.

#### **Yugoslav Prime Minister Slated To Visit Moscow**

OW2907220891 Beijing XINHUA in English  
1554 GMT 29 Jul 91

[Text] Moscow, July 29 (XINHUA)—Soviet Foreign Ministry spokesman Vitaliy Churkin said here today that Yugoslav Prime Minister Ante Markovic is scheduled to make a two-day working visit to the Soviet Union from August 1.

Speaking at a press conference, Churkin reiterated that the Soviet Union supports Yugoslavia's effort to keep unity, territory integrity and democracy through peaceful dialogue.

Local media has recently devoted a large amount of coverage on the development of the Yugoslav domestic situation.

Some Soviet official sources said the Soviet President Mikhail Gorbachev and U.S. President George Bush are expected to discuss the Yugoslav issue at their forthcoming summit starting on July 30.

#### **UN Inspection Team Continues Work in Iraq**

OW2907144891 Beijing XINHUA in English  
1411 GMT 29 Jul 91

[Text] Baghdad, July 29 (XINHUA)—The forth U.N. team inspecting Iraqi nuclear installations and materials continued its mission today, visiting some nuclear sites and putting questions to Iraqi specialists about nuclear equipment and materials.

The team was satisfied with what it accomplished during its inspection of the Tuwaitha nuclear site Monday, members of the team said.

During its inspection of Tuwaitha, the U.N. team received from Iraqi concerned authorities a list of fresh information on Iraq's nuclear program.

Tuwaitha is where a previous inspection team discovered Iraq had conducted experiments to enrich uranium to weapons grade through a process called electromagnetic separation, the technology used to produce atomic bombs in World War II.

The U.N. Gulf war ceasefire resolution obligates Iraq to allow inspection and destruction of all its capabilities to build or use weapons of mass destruction.

A U.N.-imposed deadline for Iraq to disclose all details on its nuclear program expired Thursday. The U.S. and its allies in the Gulf war have threatened of renewed military action if Baghdad failed to fully comply with the U.N. terms.

During three previous tours, the U.N. teams had visited more than 30 sites and collected at least 300 samples of nuclear material, according to U.N. officials.

The third U.N. team, which visited Iraq between July 7-18, said in a report Friday that it discovered a plant in



Tarmiya, north of Baghdad, that could have produced up to 15 kilograms a year of enriched uranium.

Iraq has insisted that its nuclear program is for civilian purposes and that only a small quantity of enriched uranium has been produced.

### IAEA Reports Suspicions

OW2907221291 Beijing XINHUA in English  
2106 GMT 29 Jul 91

[Text] United Nations, July 29 (XINHUA)—The International Atomic Energy Agency (IAEA) still suspects Iraq of hiding some of its nuclear program, according to an IAEA report released here today.

The IAEA informed the U.N. secretary-general in the report that it "considers it likely" that the full extent of Iraq's nuclear enrichment work has not yet been disclosed and it is possible that there are still undeclared locations with sensitive equipment and material in the country.

The report summarizes findings of the third inspection carried out by the third IAEA inspection team under the cease-fire terms of Security Council Resolution 687 deciding that all Iraq's weapons of mass destruction should be destroyed.

According to the team, which is consisted of 26 inspectors and 11 supporting staff from 22 countries, Iraq has accumulated a large inventory of natural uranium.

However, also according to the IAEA report, J. Jaffar [name as received], the leader of Iraq's nuclear enrichment program, denied that any political decision has been taken to use the program to develop nuclear weapons.

Jaffar stated that the primary aims of the program were to be the development of Iraq's technological and industrial infrastructure, the production of fuel for research reactors and a future nuclear power program.

The Security Council will have consultations tomorrow, during which Hans Blix, the director-general of the IAEA, will report to the council on the findings.

### U.S. 'War Threats' Viewed

HK2907142391 Hong Kong WEN WEI PO in Chinese  
29 Jul 91 p 4

[Article by Chu Chieh-fei (2612 3954 7378): "Fight Another Gulf War? The United States Is Determined To Destroy Saddam Regime"]

[Text] After the United States demanded in the name of the United Nations that Iraq make public details of its nuclear facilities or "face the consequences," Iraq urgently called, on 14 July, for a special meeting of the Arab League foreign ministers in order to discuss the U.S. war threats. Tension reappeared in the Gulf situation.

Based on a two-week investigation conducted by the UN nuclear inspection team to Iraq which was sent in line

with a Security Council resolution, it is held that Iraq still retains nuclear materials and facilities for the manufacture of 20 to 40 nuclear weapons in dozens of places. However, Iraq denies concealing anything and charges the United States and its Western allies with attempting to overthrow the current Iraqi regime.

### Failure to Pursue the Bandits Causes Latter-Day Worries

What exactly is the motive behind such a serious war threat issued by the United States four and one-half months after the cessation of hostilities in the Gulf war?

In the words of U.S. commander General Schwarzkopf, the allied forces could have "carried on with the battle to destroy the Iraqi Army and fought all the way to Saddam's hideout" during the Gulf war, but it received an order from Washington halfway through to "stop operations immediately." In their postwar analyses, the U.S. press maintain that there are two reasons behind Bush's order to end the hostilities. The first is unwillingness to see the Shiites and Kurds press for states separate from Iraq, which would then transform Iraq into a second Lebanon, lead to the loss of political balance in the region, and deviate from the early U.S. objectives in launching the war. The second is the fact that devastation of the Iraqi Army during the six-week war has undermined its morale and shaken Saddam's regime. With the military in a rebellious mood, the fall of Saddam was a matter of time.

### Saddam Swallows Pride in Favor of Security

Surprisingly, things turned out differently. Four months have gone by and there is no sign of Saddam's imminent fall from power. In fact, after going through a most difficult period in the months of March and April, Saddam was able to crush the ethnic rebellion and, after internal purges and reshufflings, the regime is becoming more stable. The current government headed by Saddam adopted a more moderate domestic policy to win the military's support, ease relations with the Kurds, and vigorously carry out postwar reconstruction; diplomatically, it adopted the stance of a defeated soldier, repeatedly making concessions and compromises and even accepting a series of demands damaging to national sovereignty. It has only one objective, namely, to preserve the current regime.

Saddam's remaining in power is like a sword hanging over the head of the Arab states. Egypt has privately lamented about the U.S. failure to eliminate Saddam's regime altogether during the Gulf war. Leaders of Gulf states like Kuwait and Saudi Arabia, meanwhile, have repeatedly stressed that as long as Saddam is in power, there can be no improvement of relations with Iraq.

According to an article published recently in the U.S. CHRISTIAN SCIENCE MONITOR, U.S. official sources were quoted as saying that it now appeared the U.S. failure to go ahead and bring Saddam down was an

unwise move. "Saddam in power continues to pose a threat to the Gulf region as well as a challenge to U.S. interests."

#### **Iraq's War Machine Has Been Destroyed**

According to analyses by Arab diplomatic sources here, the U.S. postwar insistence on making the removal of Saddam the precondition for lifting of sanctions against Iraq and its current war threats issued in connection with the question of Iraq's nuclear facilities show the determination of the Western states to destroy Saddam. The essence of the threat "to launch a second Gulf war" does not lie in the destruction of the remaining dozens of nuclear facilities, but in the weakening of its military might and, eventually, the destruction of Saddam's regime.

It is held that even if the dozens of nuclear facilities discovered by the inspection team do exist, it would take at least 10 years before nuclear weapons could be manufactured. Given that Iraq's war machine was dealt a devastating blow during the Gulf war, it does not pose much of a threat in the short term.

The reality is this: Given that one side is exerting all efforts to maintain and consolidate its regime while the other side is determined to destroy it, the intensifying struggle around the question of "nuclear facilities" has once again escalated the tension in this region. Observers here believe that if Iraq does not submit to the demands and instead continues to be defiant, the possibility cannot be ruled out that the Western countries would use this as an excuse to launch another air raid and use force to overthrow Saddam's regime. The U.S. Army units that have pulled out of the Gulf states are primarily ground forces, while a considerable number of its Air Force and Navy units are still in the Gulf. They could launch a new round of air attacks against Iraq at anytime and Iraq would not be able to retaliate.

#### **Baghdad Takes the Threats Seriously**

Iraq has also realized that this is not merely a verbal threat and has urgently called for an Arab League meeting to try to stop the war through Arab and international media. But looking at the current situation in the Arab world, the response has not been overwhelming. It thus appears that aside from more concessions, Saddam really has no other choices. To Saddam, with his war machine in tatters, what use is there to keep these nuclear facilities? Consequently, sources here believe it is very likely that in this new round of contention, Iraq will accept the UN demand to turn over its nuclear weapons development plan before 25 July in order to avoid suffering a second blow.

These same sources also believe, however, that the gist of the problem is as follows: If the United States has defined the overthrow of Saddam's regime as an "established policy," then it is possible for more incidents and feuds to surface after this "nuclear incident." Saddam's regime is heavily embattled from within and without and the future looks unpredictable.

### **United States & Canada**

#### **Yunnan Governor, U.S. Official View Drug Issue**

HK3007062791 Kunming Yunnan People's Radio  
Network in Mandarin 1000 GMT 28 Jul 91

[Text] Provincial Governor He Zhiqiang met U.S. Assistant Secretary of State Levitsky in Kunming's Jinlong Hotel yesterday afternoon.

The purpose of U.S. Assistant Secretary of State Levitsky's current visit to China is to inquire about the situation of China's drug-control work. During his visit in our province, Levitsky will go to the border areas and carry out investigation there.

During the meeting, He Zhiqiang said: Drug proliferation is an international problem, while drug-control work is also of an international nature. Carrying out drug-control work conforms with the interests of both China and the United States. We are happy to have witnessed a gratifying step forward in the cooperation among various international drug-control organizations. Over the past few years, our country has attached great importance to drug-control work, adopted resolute measures, and achieved phenomenal results in this regard. Nonetheless, drug-control work is a long-term struggle. I hope that the current visit paid by the assistant secretary of state will further strengthen drug-control cooperation between China and the United States.

Mr Levitsky agreed with He Zhiqiang's views and said: Drug proliferation is harmful to the interests of both our countries. Therefore, we should adopt a positive attitude toward bilateral cooperation in this connection. I hope that we will make greater efforts to strengthen our drug-control cooperation and further our drug-control work in a down-to-earth manner.

(Yuan Yiyuan), deputy secretary general of the State Drug Control Commission; (Peng Jianfei), provincial drug control commission office director and provincial public security department deputy director; and (Peng Rendong), provincial foreign affairs office deputy director, were present during the meeting.

Yesterday evening, Zhao Tingguang, vice governor and provincial drug control commission director, held a banquet in honor of Mr Levitsky and his entourage.

#### **Diplomat Cited on MFN, Middle East Issues**

OW2907132691 Shanghai JIEFANG RIBAO in Chinese  
25 Jul 91 p 5

[Article by Chen Guoqing (7115 0948 3237), press counsellor of the PRC Embassy in the United States: "Most-Favored-Nation Status and Sino-American Relations"]

[Text] The United States is presently examining the issue of China's most-favored-nation [MFN] status. Because

of its great political and economic impact on Sino-American relations, the governments of the two countries and people from all circles have been following the matter closely.

The MFN status is terminology that is easily misunderstood by people. As far as China is concerned, it is not a privilege, much less a favor. The MFN status is simply a common form of mutual arrangement which allows trading partners to enjoy preferential tariffs. China and the United States accord the MFN status to each other in accordance with the "Sino-American Trade Relations Agreement" signed in 1979. The MFN status is the foundation upon which Sino-American trade relations were built during the course of more than a decade. The abolition of China's MFN status, or the attachment of political conditions in order to extend it, will damage or even destroy this foundation.

It is self-evident that China and the United States have greatly benefited from their bilateral trade relations. According to figures announced by the Chinese customs authorities, the total value of Sino-American trade in 1990 was \$11.77 billion, up by more than four times over the value of \$2.45 billion in 1979, when China and the United States established diplomatic ties. In 1990, the value of U.S. exports to China totaled \$6.58 billion and made up 10.04 percent of China's total imports. Because China has taken steps to promote imports from the United States, it can be expected that bilateral trade volume in 1991 and beyond will increase considerably.

A Chinese purchasing team visited the United States from 19 May to 6 June, during which both sides concluded transaction contracts worth \$1.2 billion. According to these contracts, China will purchase 2.1 million metric tons of grain, 5 million metric tons of cotton, 450,000 metric tons of chemical fertilizer, 380,000 cubic meters of timber, and other commodities from the United States. Although China had a bumper harvest of grain last year, it still promised to buy 4.7 million metric tons of grain from farm owners in the United States. In the first five months of this year, China exported \$1.99 billion worth of products to United States while importing \$2.66 billion of products from it. The United States ranks first among the countries investing in China. From 1979 to September 1990 the United States invested \$21.273 billion in China. At present, there are 1,300 Chinese-U.S. joint ventures and wholly owned U.S. enterprises in China.

Therefore, it is not hard to see that the MFN status is closely related to the interests of the two countries. If China's MFN status is suspended, what will follow is discriminative high tariffs. Moreover, a chain reaction will occur, the impact of which would be disastrous. The consequences in the economic and other fields for U.S. businessmen, investors, and consumers must not be underestimated.

Moreover, singling China out as the target for discriminative trade practices will make other countries doubt the credit of the United States as a trading partner.

If the United States cancels China's MFN status, this will unavoidably bring about a great retrogression in Sino-U.S. relations. Of course, we do not want to see this happen. As the world's largest developing nation and the world's largest developed nation respectively, China and the United States can greatly complement each other economically. Sino-U.S. relations are not only very important to the two countries; they also have great significance to world peace and stability. From the viewpoint of geo-politics and geo-economy, common interests between the two countries far surpass differences between them. The end of the cold war does not mean the decline of China's strategic position in the international arena, nor does it mean the diminishing of common interests in all fields between the two countries. As the world's largest developing country and a permanent member of the UN Security Council, what China can do needs no explanation. China and the United States hold similar views on some important international issues, and have cooperated with each other. Need still exists at present and in the future for the two countries to cooperate.

Recently, President Yang Shangkun gave a positive response to President Bush's proposal on convening a meeting of the five permanent members of the UN Security Council to discuss arms control in the Middle East. The Chinese Government has decided to send Vice Foreign Minister Liu Huaqiu to attend the meeting, which will be held in Paris. To ensure that the meeting will yield results, we are willing to discuss with all parties concerned the basic principles on arms control in the Middle East, in order to bring about stability based on a lower arms level in the region. The prolonged, unsettled Middle East issues over such a period of time are the root of the tensions as well as the root cause of the arms race in the region. Arms control in the Middle East and the political solution to Middle East problems are closely related to each other. China hopes the upcoming meeting will be conducive to bringing about peace and stability in the region and will create favorable conditions for settling the long-drawn-out Middle East problems at an early date. China supports efforts to make the Middle East a region free from nuclear weapons and large quantities of weapons of mass destruction. In the meantime, China agrees in principle that relevant countries should, through consultations, thoroughly and equally take just and reasonable measures to exercise the necessary and appropriate control of armaments in the Middle East region and the inflow of weapons into it. Cooperation between China and the United States will contribute significantly to the promotion of the political settlement of the Middle East issue and other world problems.

As permanent members of the United Nations Security Council, China and the United States should make



coordinated efforts to ensure the realization of world-wide nuclear nonproliferation. It has been China's persistent policy to not advocate, encourage, or promote nuclear proliferation. It also refrains from helping other nations develop nuclear weapons. In 1990, China attended, as an observer, the fourth meeting of the nuclear nonproliferation treaty, and is currently studying the treaty in detail. China has agreed to join consultations among the United States, the Soviet Union, India, and Pakistan on nuclear nonproliferation in South Asia. China is seriously considering holding bilateral or multilateral consultations with relevant countries on the control of guided missile systems.

Taking the momentary needs as the foundation for formulating policies toward China is short-sighted and will not be conducive to the common interests of the two countries, either. At present, the difficult period in Sino-American relations is not yet over, with the United States still maintaining its sanctions against China and the healthy trade relations between them encountering danger. We hope that both China and the United States will bury their differences in social systems and ideology, and value the basic interests of the two countries so that bilateral relations will not only be back on the normal track as soon as possible, but also manage to develop further on the basis of the three Sino-American communiqués.

### Soviet Union

#### Relief Goods From Uzbekistan Arrive in Xinjiang

OW2807084791 Urumqi Xinjiang Television Network  
in Mandarin 1555 GMT 27 Jul 91

[Text] An Il-76 large transport plane touched down at Urumqi Airport at noon yesterday. It was loaded with 30 tonnes of disaster relief supplies from the USSR's Uzbek Soviet Socialist Republic [SSR] Government for disaster areas in China. The relief supplies included 100,000 rubles worth of medicines, more than 700 tents, flour, and clothing, with a combined value of 600,000 rubles. [video opens with shots showing a plane taxiing on the runway, then cuts to shots showing goods being unloaded from its cargo hold]

Urumqi customs and commercial inspection departments refrained from processing relevant paperwork, and exempted the supplies from taxation and inspection, in an effort to clear them swiftly. [video shows uniformed personnel loading the goods onto a truck]

On behalf of the China Committee of the International Decade for National Disaster Reduction, Apeizhi Rehe-maiti, deputy director of the autonomous region's Disaster Relief Donations Office and director of the autonomous region's Civil Affairs Department, presented a certificate of donations to the Soviets, and expressed deep gratitude to the Uzbek SSR Government and its people.

#### Uzbek Delegation Concludes Visit to Xinjiang

##### Tomur Dawamat at Accord Signing

OW2807091391 Urumqi Xinjiang Television Network  
in Mandarin 1555 GMT 27 Jul 91

[Text] A ceremony to sign three agreements between China's Xinjiang Uygur Autonomous Region and the USSR's Uzbek Soviet Socialist Republic [SSR] was held at the Xinjiang People's Hall yesterday afternoon. At the ceremony, Tomur Dawamat, chairman of the autonomous region, and Mirkasythov, vice president of the Uzbek SSR, signed an outline of an agreement on long-term economic, scientific and technological, and cultural cooperation between China's Xinjiang Uygur Autonomous Region and the USSR's Uzbek SSR. [video shows Tomur Dawamat and a man in dark business suit signing and exchanging documents at a long table beneath a banner bearing the Chinese characters "Signing Ceremony Between China's Xinjiang Uygur Autonomous Region and the USSR's Uzbek SSR" and words in Cyrillic]

Abudula Maitireyimu, director of the autonomous region's Foreign Economic Relations and Trade Department, and (Mavmotov), chairman of the Uzbek SSR's Foreign Economic Relations Committee, signed a trade agreement between China's Xinjiang Uygur Autonomous Regional People's Government and the USSR's Uzbek SSR Government. In addition, officials of the Xinjiang No. 1 Radio Plant and the Uzbek Tashkent (Chirnik) Factory signed a contract on, and the articles of association of, the Sino-Soviet Tashkent Electronics Limited Company.

Before the signing ceremony, the Chinese and Soviet representatives held a second round of talks at the Xinjiang People's Hall. After the signing ceremony, Chairman Tomur Dawamat and Vice President Mirkasythov answered relevant questions from the reporters. [video shows Tomur Dawamat and other people seated at a conference table, then cuts to show him sitting on a couch next to the man in a dark business suit, facing reporters]

The guests visited the Xinjiang No. 1 Radio Plant and the Autonomous Region Uygur Hospital yesterday morning. [video shows people visiting the plant and hospital]

##### Meeting With Song Hanliang

OW2807091291 Urumqi Xinjiang Television Network  
in Mandarin 1555 GMT 27 Jul 91

[Text] Song Hanliang, secretary of the autonomous regional party committee, met with all the members of an Uzbek Soviet Socialist Republic [SSR] delegation from the Soviet Union, led by Vice President Mirkasythov, at the Xinjiang People's Hall last night. [video opens with medium shots of Song Hanliang sitting next to a man in dark business suit in a meeting hall]

On behalf of the autonomous regional party committee, Song Hanliang first extended a warm welcome to the

delegation on its friendly visit to our region. He said: Since it carried out reform and opened itself to the outside world, Xinjiang has achieved unprecedented success in promoting rapid economic growth, attaining social stability and gradually improving the people's livelihood. Practice has proved that only reform and opening can propel our country toward modernization. During this process, it is necessary to uphold the socialist path and the party's leadership.

Song Hanliang said: Beginning this year, we will implement the 10-Year Program and the Eighth Five-Year Plan for national economic and social development. Unity among various nationalities is the fundamental guarantee for successfully implementing the program and the plan. All nationalities should share their hearts, breath, and destinies. He expressed the hope that the Uzbek SSR of the Soviet Union will become more prosperous through its reform and opening efforts.

Delegation head Mirkasythov expressed gratitude for our region's warm hospitality. He said: We are very glad to have witnessed Xinjiang's economic development, harmony among various nationalities, and ubiquitous prosperity during our visit. Mirkasythov stated: Many aspects of your experience in carrying out reform and opening up deserve to be learned and emulated by us. I hope that the two sides will further develop economic, trade, scientific and technological, and cultural cooperation in the future. [video shows Song and the man in the dark business suit speaking, alternating with medium shots of other people, including Tomur Dawamat]

Leading comrades of the autonomous region Tomur Dawamat, Jin Yunhui, and Yusufu Muhanmode attended the meeting.

### Delegation Departs

OW3007065091 Urumqi Xinjiang Television Network  
in Mandarin 1555 GMT 29 Jul 91

[From the "Xinjiang News" program]

[Text] The Uzbek Soviet Socialist Republic [SSR] government delegation from the Soviet Union headed by Vice President Mirkasythov of the SSR concluded a friendly visit in our region and left for home by a special plane.

Tomur Dawamat, chairman of the autonomous regional government, and Jin Yunhui, deputy secretary of the autonomous regional party committee, went to the airport to bid farewell to the guests. [video shows Tomur Dawamat shaking hands with the head and members of the Uzbek SSR delegation at the airport and the Soviet transport plane taking off]

The guests visited the Friendship Market, Erdaoqiao Market, and other places during their stay in Urumqi.

## Northeast Asia

### Official on Trade, Investment Pact With Seoul

HK3007034191 Hong Kong HONGKONG STANDARD  
(BUSINESS STANDARD) in English 30 Jul 91 p 1

[By Alan Nip]

[Text] Beijing and Seoul are about to negotiate an agreement to protect bilateral trade and investment, a senior official in charge of China's unofficial trade ties with foreign countries said yesterday.

Zheng Hongye, chairman of the China Chamber of International Commerce (CCOIC), also said he was ready to visit the Kuomintang-held island of Taiwan if he was invited.

In an interview with THE HONGKONG STANDARD, Mr Zheng said talks on hammering out the agreement would proceed between his agency and the unofficial Korea Trade Promotion Corporation (KTPC) in Beijing.

He predicted that the agreement could be signed at the end of this year or early next year.

Both sides have made necessary preparations to work out details of the agreement despite the lack of diplomatic relations, Mr Zheng said.

"The lack of such agreement has restrained the development of economic and technological cooperation between China and South Korea," he said.

The situation has also affected direct investment from South Korea in China and trade between the two countries, he added.

The CCOIC serves as Beijing's unofficial arm in carrying out trade contacts with countries and regions that have no diplomatic ties with China.

Both the CCOIC and KTPC have opened representative offices in each other's capitals to facilitate trade between the two countries.

As a traditional ally of communist North Korea, China has maintained a cautious stand on developing ties with South Korea.

The agreement, to be signed by unofficial organisations from the two countries, will be recognised by both governments.

It is seen as a significant step towards the establishment of diplomatic relations between the two countries.

However, Mr Zheng stressed that the conditions under which Beijing developed ties with Seoul were to serve regional stability and peace.

"China's overall objective towards developing trade and relations with South Korea is to maintain peace and stability in the Korean peninsula," he said.

South Korean investment in China mainly focuses on medium and small-sized firms most of which are in labour-intensive processing industries, according to Mr Zheng.

China approved a total of 82 Korean-funded projects in the country with the pledged investments of U.S.\$108 million by the end of last year.

Two-way trade between the two countries totalled U.S.\$1.03 billion for the first five months of this year. China exports to South Korea coal, crude oil, oil products, textiles, non-ferrous metals, chemical products, cement and farm produce.

Imports include chemical fibres, electronic products, leather, steel, paper and cotton garments.

On relations with Taiwan, Mr Zheng pledged to continue the effort to realise direct trade across the Taiwan Straits which the Kuomintang authorities have banned.

"Exchnages between the mainland and Taiwan should be reciprocal. It is unreasonable for Taipei to place obstacles in this respect," he said.

Currently, trade between the mainland and Taiwan is carried out through a third country, in most cases through Hong Kong.

Mr Zheng said he was prepared to lead an unofficial trade delegation to Taiwan if Taipei extended an invitation.

But he ruled out any political compromises in order to make the trip possible.

According to Mr Zheng, a forum on trade across the Straits will be held in Shanghai in September to discuss ways to regulate trade and resolve disputes.

Representatives from trade coordination committees on both sides are to attend the conference, he added.

#### **Li Tieying Receives Korean Workers' Party Group**

OW3007065691 Beijing XINHUA in English  
0603 GMT 30 Jul 91

[Text] Beijing, July 30 (XINHUA)—Li Tieying, member of the Political Bureau of the Chinese Communist Party (CPC) Central Committee, met with and hosted a dinner for a delegation of the Workers' Party of Korea (WPK) here today.

The delegation is led by Choe Tae-pok, alternate member of the Political Bureau and member of the Secretariat, of the WPK's Central Committee.

The host and the guests had a cordial conversation on further promoting the friendly relations between the two countries, parties and peoples of China and the Democratic People's Republic of Korea (DPRK).

Zhu Liang, head of the International Liaison Department of the CPC Central Committee, was present on both occasions.

#### **DPRK To Announce New Denuclearization Proposals**

OW3007055891 Beijing XINHUA in English  
0532 GMT 30 Jul 91

[Text] Beijing, July 30 (XINHUA)—Pae Yong-chae, charge d'affaires ad interim of the Embassy of the Democratic People's Republic of Korea (DPRK) in China, held a press conference here today to explain a government statement.

The statement, which will be announced in Pyongyang today, put forward some new proposals of the DPRK Government on the denuclearization of the Korean peninsula.

#### **DPRK Marks Liberation Anniversary in Beijing**

##### **Charge Hosts Film Reception**

OW2707142791 Beijing XINHUA in English  
1138 GMT 27 Jul 91

[Text] Beijing, July 27 (XINHUA)—Pae Yong-chae, charge d'affaires of the embassy of the Democratic People's Republic of Korea (DPRK) in China, hosted a film reception here this afternoon to mark the 38th anniversary of the victory of the fatherland liberation war.

Two documentaries, "Fatherland Liberation War VI" and "Concrete Wall Between the North and the South of Korea", were shown at the reception.

Han Huaizhi, deputy chief of General Staff of the Chinese People's Liberation Army, attended the reception.

##### **News Conference Held**

SK2807054091 Beijing Radio Beijing in Korean  
1200 GMT 27 Jul 91

[Text] Pae Yong-chae, charge d'affaires at the DPRK Embassy in China, released a statement in connection with the 38th anniversary of victory in the fatherland liberation war at a news conference held at the embassy building on the morning of 26 July.

In his statement, he looked back on the fatherland liberation war fought for 3 years, from 25 June 1950 through 27 July 1953, against the U.S. imperialists, as well as on the effort made by the Korean people in the postwar period for the country's peaceful reunification.

In his statement, he also expressed deep gratitude to the Chinese party, Government, and people who have consistently extended positive support to the Korean people in their struggle.

#### **Pyongyang Press Urges Direct DPRK-U.S. Talks**

OW2707063391 Beijing XINHUA in English  
0605 GMT 27 Jul 91

[Text] Pyongyang, July 27 (XINHUA)—The news media of the Democratic People's Republic of Korea (DPRK)



today called for the withdrawal of United States nuclear weapons and troops from South Korea.

Marking the 38th anniversary of the signing of the truce agreement of Korea, all major newspapers of the DPRK carried editorials on their front pages saying that the Korean peninsula issue should be solved through direct negotiations between the DPRK and the United States, the signatories of the truce agreement.

The editorial said with U.S. troops staying in South Korea, there would be no lasting peace on the Korean peninsula.

In order to relax tensions in the region, achieve a lasting peace and create a favorable environment for peaceful reunification, a peaceful agreement should be signed between the DPRK and the United States, the editorial said.

It appealed for a joint declaration of mutual non-aggression, and the building of a nuclear free zone on the peninsula.

#### **North, South Korea Agree on New High-Level Talks**

*OW3007032691 Beijing XINHUA in English  
0010 GMT 30 Jul 91*

[Text] Pyongyang, July 29 (XINHUA)—The Democratic People's Republic of Korea (DPRK) and South Korea Monday agreed that their delegates will meet to prepare for the fourth round of the high-level talks scheduled for August 27 in Pyongyang.

The agreement to hold a working level meeting before the high-level talks was reached at a liaison officials' meeting held at the truce village of Panmunjom Monday, KOREAN CENTRAL NEWS AGENCY (KCNA) reported.

The liaison officials of the two sides have met twice since the DPRK proposed on July 11 the resumption of premiers' talks. The officials last met on July 19.

In the three rounds of the high-level talks held last year, no progress was made as each side stuck to its own position. The South side favored a German-type unification, while the North side preferred a national reunification through the establishment of a confederation based on one nation, one state, two systems and two governments.

#### **DPRK Youth Group Barred From South Korea**

*OW2607130791 Beijing XINHUA in English  
1252 GMT 26 Jul 91*

[Text] Pyongyang, July 26 (XINHUA)—A youth consolation team comprised of 20 students from the Democratic People's Republic of Korea (DPRK) was denied entry to South Korea at the truce village of Panmunjom on Thursday by authorities from the South.

The KOREAN CENTRAL NEWS AGENCY reported that the team was scheduled to go to the South to console Catholic priest Mun Ik-hwan and a student, Yim Sukyong. The two stand accused of violating the South

Korean national security law and have been imprisoned since 1989 after returning from visits to Pyongyang.

The team made separate telephone calls on July 19 and 23 to the relevant South Korean authorities hoping it would be allowed to enter the South.

The team denounced the South Korean action as against reunification and demanded the repeal of the unjust and unfair national security law.

#### **Raidi Leads Party Workers Delegation to Mongolia**

*OW2607115391 Beijing XINHUA in English  
1110 GMT 26 Jul 91*

[Text] Beijing, July 26 (XINHUA)—A party workers' delegation of the Communist Party of China (CPC) headed by Raidi, member of the CPC Central Committee and deputy secretary of the Tibet Autonomous Regional party committee, left here today for a visit to Mongolia, at the invitation of the Mongolian People's Revolutionary Party.

#### **TV Deal Improves Economic Ties With Mongolia**

*HK2507071791 Beijing CHINA DAILY in English  
25 Jul 91 p 2*

[By staff reporter]

[Text] In a signal that economic links between China and the People's Republic of Mongolia are getting stronger, Mongolia has purchased \$1.3 million worth of television broadcasting equipment from China this year.

In the largest cash deal between the two countries in the past decade, Mongolia signed four agreements that will improve its domestic broadcasting capacity, according to an official source.

The deal injects life into the two nations' economic links, the official added.

According to the agreements, China sold 619 sets of satellite television transmission and receiving equipment to Mongolia.

And the China National Electronics System Engineering Company contracted to install the equipment in Mongolia's 18 provinces and cities.

The project has recently passed the Mongolian Government's technical appraisal and successfully been completed. "The majority of the country's residents could not receive television programmes until the project was put into operation on July 10, the eve of the 70th anniversary of the founding of the People's Republic of Mongolia," the source said.

The two nations are considering expanding trade in this sector, since both are satisfied with the newly-completed project.



### **Mongolian Party Chief on Reform, Relations**

OW2907121391 Beijing XINHUA in English  
1155 GMT 29 Jul 91

[Text] Ulaanbaatar, July 29 (XINHUA)—The Mongolian People's Revolutionary Party (MPRP) Plenum opened here today, with party Chairman Budragchaagiyn Dash-Yonden vowing to build a happy society for every Mongolian through the present "irreversible reform" across the country.

"We have no route of retreat. We can't go back to the old system of bureaucracy, which we have repudiated.

"Nor can we retrace the dirty steps the developed nations took in the 18th and 19th centuries," Dash-Yonden told the plenum scheduled to last for two days.

He called on Mongolians to play a decisive role in solving their own crisis, saying "the country will suffer a further decline" if it had to act on the expression of others, and depended on others.

He said MPRP would struggle against oppression, exploitation and social polarization in the process of privatization.

He also pledged to keep the best relations with China and the Soviet Union, the country's two big neighbours.

### **Japanese Youth Delegation Welcomed in Beijing**

OW2807132391 Beijing XINHUA in English  
1211 GMT 28 Jul 91

[Text] Beijing, July 28 (XINHUA)—The China-Japan Friendship Association (CJFA) hosted a reception here this evening to welcome a 201-member youth cultural delegation of the Japanese Sokagakkai.

In his welcoming speech at the reception, CJFA's President Sun Pinghua highly praised the valuable contributions the Sokagakkai has made to resuming and developing the Sino-Japanese friendly relations.

Sun expressed the hope that the young people of the two countries would strengthen their exchanges, increase mutual understanding and contribute their share to the Sino-Japanese friendship either at the present time or in the next century.

Toshiyuki Mitsugi, vice-president of the Sokagakkai and adviser to the delegation, expressed the same hope that the young people of the two countries would make joint efforts to build the golden bridge for the eternal Japan-China friendship.

During its stay in China, the delegation will hold get-togethers with Chinese youth and give theatrical performances. They will also visit the cities of Jinzhou, Shanghai and Shenzhen in three groups.

### **Article Notes Problems in U.S.-Japanese Ties**

HK2607094891 Hong Kong LIAOWANG  
OVERSEAS EDITION in Chinese No 29, 22 Jul 91  
pp 28-29

[Article by Huai Chengbo (2037 2052 3134): "Current Problems Facing U.S.-Japanese Relations"]

[Text] Japanese Prime Minister Toshiki Kaifu visited the United States from 10 to 11 July to hold talks with President Bush. It was his sixth meeting with Bush since taking office. Moreover, the two men had held over 20 telephone conversations. The direct purpose of the visit was to coordinate a position on the Group of Seven (G-7) summit to be held in London, but the issues involved in the discussion reflected the conflicts in bilateral relations between the two richest economic powers in the world. After the talks, both Kaifu and Bush said at a joint news conference that they could not solve the differences over the issue of Japan's importation of American rice, but both sides unanimously expressed the hope that the tense relations between the two countries could be eased. To this end, Bush announced he would visit Japan this November.

Over the years, trade imbalance between the United and Japan has always been an explosive issue in bilateral relations. In recent years, thanks to the efforts of both parties, the trade deficits between them have tended to decrease progressively, dropping from nearly \$60 billion in 1987 to \$41 billion last year. But, with the rising of the Japanese yen against the U.S. dollar and increased exports to the United States from Japan, the trend of reduced deficits has stopped. Earlier this year, the imbalance seemed to start increasing. The U.S. trade deficit with Japan rose to \$10.2 billion in the first quarter of this year, but it was \$9.5 billion in the same period of last year. This has roused a strong reaction in the U.S. Congress and other government departments. Since the beginning of this year, in the midst of acute squabbling, the issue of whether or not Japan should open its domestic rice market has become the most conspicuous one in U.S.-Japanese trade friction.

Japan consumes 10 million tonnes of rice a year. The government bans the importation of rice to protect the interests of its 5 million rice farmers. The United States called on Japan to impose tariffs on the import of farm produce and open its domestic rice market; it also called on EC countries to make corresponding concessions on the issue of opening farm produce markets so a breakthrough could be made in multilateral trade talks in the Uruguay Round of the GATT. The incident of American rice samples being withdrawn from Japan's Makuhari International Food and Drink Fair in March this year has caused a public outcry in the United States. When Japanese Foreign Minister Taro Nakayama visited the United States, President Bush and Secretary of State Baker took a direct interest in the matter. When meeting Kaifu in California last April, Bush raised to a very high plane the issue of Japan opening its rice market to the United States, saying that if a successful conclusion was

to be reached at the Uruguay Round, farm produce must be included and "this point prevails over everything." On 26 June, the United States presented a note to Japan in the form of an "internal document," indicating the U.S. Government's "growing worries over the Japanese Government's failure to adopt a forward-looking attitude toward the issue of reforming its rice policy." The note warns this attitude "will be subject to criticism from the U.S. rice industry, the U.S. Congress, and other countries."

Japan favors breaking away from the framework of U.S.-Japanese relations and discussing the issue of opening the rice market within the scope of the GATT's international trade talks. When holding talks with the U.S. secretary of agriculture, Motoji Kondo, Japanese minister of agriculture, forestry, and fisheries, indicated that the U.S. demand to "turn export restrictions into tariffs" was unacceptable but Japan might consider "partially opening its rice market" on the condition that "the existing issues among all countries are jointly solved." This intention of the Japanese Government was strongly opposed by Japanese rice farmers. Considerable forces within the Liberal Democratic Party and the Japanese Government also held differing views on this issue. In early July, 5,000 Japanese rice farmers held a demonstration in Tokyo. They were strongly opposed to the partial opening of the rice market and warned that five million rice farmers would retaliate if the government should succumb to U.S. pressure.

The competition and friction between the United States and Japan over the opening of the rice market and the issues of semiconductors, automobiles, construction, and banking have developed into a vicious cycle in their economic relations; with the growth of Japan's national strength and the decline of U.S. national strength and with the end of confrontation between the United States and the Soviet Union, mutual suspicions between Japan and the United States in politics will also continuously increase. According to a survey report carried in Japan's JIJI KAISETSU [COMMENTS ON CURRENT EVENTS], since 1989 nationalism has increasingly run high in Japan in the form of anti-American sentiment, and this will probably shake the Japanese-U.S. security structure. The concrete manifestations of the "combination of this anti-American sentiment and nationalism" are as follows: First, the sentiment of making no concessions on the trade issue has become stronger in Japan; second, the end of the cold war has shaken Japan's conviction of the need for Japanese-U.S. Security Treaty, thus bringing about a trend of breaking away from coordinated relationship with the United States. Moreover, according to a 4 July poll by YOMIURI SHIMBUN, the United States has surpassed the Soviet Union in posing the greatest threat to Japan's security. In the view of this newspaper, this tendency shows the Gulf war has made many Japanese feel a reduced Soviet threat. With regard to U.S.-Japanese relations, as a result of differences between the two sides over trade issues and the U.S. criticism that Japan did not take an

energetic stand on the Gulf issue, many Japanese have become increasingly disgusted with the United States. Some others are also uneasy about the U.S. strength demonstrated during the Gulf war.

What is equally significant is that the atmosphere of regarding Japan as the main threat has become stronger in the United States. In a recent report, THE WASHINGTON POST said U.S.-Japanese political relations are deteriorating. With a rapid reduction in the Soviet strategic threat, "many Americans have begun to look upon Japan as an economic threat, particularly in the high-technology field." Moreover, a report written by experts commissioned by the U.S. Central Intelligence Agency, entitled "Japan: 2000," reportedly said: Now Japan is trying to dominate the world in the economic field, while the United States and Europe are constantly retreating. If this point is not soberly recognized and corresponding measures categorically taken, "Japan will soon dominate the world." In the view of Singapore's LIAN HE ZAO PAO [UNITED MORNING NEWSPAPER], in the past, the U.S. Central Intelligence Agency exerted itself to the utmost to gather military, economic, and military intelligence about the Soviet Union and other socialist countries, but now it has unexpectedly mobilized its subordinate organizations to study and analyze its ally Japan. This shows that "the United States indeed has great consciousness against Japan and even very strong enmity." In a recent article, former U.S. Commerce Secretary Peterson said the United States and Japan are faced with the major option of being adversaries or partners.

## Southeast Asia & Pacific

### Le Duc Anh in Beijing for Normalization Talks

BK3007015791 Hong Kong AFP in English 1113 GMT  
29 Jul 91

[By Jean-Claude Chapon]

[Text] Hanoi, July 29 (AFP)—General Le Duc Anh, the number two official in Vietnam, is visiting China for discussions on normalising relations between the two countries, reliable sources said here Monday.

The visit follows recent progress in finding a solution to the conflict in Cambodia, which was one of the main reasons for strains between Vietnam and China.

Gen. Anh, who is also defense minister, left here Sunday accompanied by an unidentified vice minister of foreign affairs, the sources said.

Hong Ha, a senior official of the Vietnamese Communist Party Central Committee, had also gone to Beijing with Gen. Anh, the sources said.

The defense minister's visit to China was not officially confirmed.

The secret visit is the second such visit following the one made by Premier Do Muoi and Communist Party Secretary-General Nguyen Van Linh to the western Chinese city of Chengdu in September, the sources said.

According to some sources here, Mr. Linh, who resigned the party leadership in June but remains a special advisor, is accompanying the defense minister.

Vice Premier Vo Nguyen Giap made an official visit to China last October during the Asian Games.

Relations between Vietnam and China have been strained since the early 1970s when Hanoi moved closer to Moscow at a time of serious ideological and political friction between China and the Soviet Union.

Vietnam's invasion of neighbouring Cambodia to oust the Chinese-backed Khmer Rouge—prepared by Gen. Anh when he was deputy defense minister—intensified the problems between the two governments, who nevertheless have maintained diplomatic relations.

The invasion also prompted a brief but bloody war along Vietnam's northern border with China in February and March 1979 when Beijing invaded "to teach a lesson" to the Vietnamese.

The communist neighbours, who once described their ties as being "as close as lips and teeth," have recently reiterated their wish to normalise relations.

"The pressing nature of the Cambodian problem has led the two countries to urgently reevaluate their relations," a well-informed Vietnamese official said.

In recent weeks peace talks between the Hanoi-backed Phnom Penh government and the Cambodian resistance factions supported by China have led to significant progress to end the civil war that has ravaged the country for nearly 13 years.

During talks in Thailand in June, the Cambodian factions agreed on an unlimited ceasefire, a halt to foreign military assistance and the establishment of the country's Supreme National Council (SNC) in Phnom Penh in November.

The SNC groups representatives of the government of Prime Minister Hun Sen and the three resistance factions in a body that will represent Cambodian sovereignty during a transition period ahead of elections envisaged by a U.N. peace plan.

Observers have said the agreements on Cambodia could only have come about with the backing of Beijing, which has apparently decided to work towards a solution even at the cost of isolating its proteges, the Khmer Rouge, militarily the most powerful of the resistance factions.

Gen. Anh, 72, has become a key figure in the party hierarchy since its congress in June when he was elected to the number two slots in the Politburo and the Party Central Committee Secretariat.

According to several Vietnamese sources, Gen. Anh has been put in charge of international issues since the departure from the Politburo of Foreign Minister Nguyen Co Thach, who had led Vietnam's diplomacy since the start of the Cambodian conflict.

Gen. Anh is likely to leave the defense portfolio in a ministerial reshuffle soon. General Doan Khue, the vice defense minister who led military operations in Cambodia in the 1978-79 invasion, is seen as his likely successor.

### Meets With Leaders

BK3007045791 Hong Kong AFP in English 0439 GMT  
30 Jul 91

[Text] Beijing, July 30 (AFP)—Vietnamese Defence Minister General Le Duc Anh met here Tuesday with Chinese leaders to discuss the normalisation of ties between Hanoi and Beijing, an authoritative Vietnamese source said.

Gen. Le Duc Anh, who was recently elected to the number two spot in the Vietnamese Communist Party politburo, was accompanied by a senior party central committee member, Hong Ha.

The Vietnamese delegation arrived in Beijing on Monday.

The meetings, which took place in the strictest secrecy in a Chinese Government guesthouse several kilometers (miles) from the centre of Beijing, centred on the future normalisation of relations between the neighbouring countries, the source said.

No details have been forthcoming on the content of the talks and the Chinese Government has yet to even confirm the presence of the Vietnamese delegation.

The visit is the second by Vietnamese leaders to China in less than a year. Former party Secretary General Nguyen Van Linh had secret talks with Chinese leaders in the western city of Chengdu in September, centering on the conflict in Cambodia.

The fact that the latest meetings are taking place in Beijing underlines the importance the Chinese leaders attach to the talks, analysts here say.

The current push towards normalisation, follows some 20 years of tension and the breaking off of relations after the Vietnamese invasion of Cambodia in 1978 and a border conflict in 1979.

One result of the recent thaw has been a noticeable increase in cross-border trade.

Improved relations also contributed to the recent progress made towards settling the civil war in Cambodia. China is the main arms supplier to the Khmer Rouge, the strongest faction in the resistance coalition fighting the Hanoi-backed government in Phnom Penh.

The replacement of Nguyen Co Thach as Vietnamese foreign minister in June also played a major part in encouraging the normalisation process to which he had been opposed, analysts say.

However, some important disputes between the two countries remain, particularly regarding the location of their common maritime border in the South China Sea, sovereignty of the Spratly and Paracel islands—claimed by both—and, to a lesser extent, the exact line of their common land border which was closed two years ago.

#### **Philippine Senate 'Straw Vote' Rejects Bases Pact**

*OW3007142891 Beijing XINHUA in English  
1408 GMT 30 Jul 91*

[Text] Manila, July 30 (XINHUA)—Thirteen senators of the 23-member Senate today rejected in a straw vote the new military bases treaty with the United States, neglecting the warning that a rejection could destroy the Philippine economy.

Among the 14 senators who casted their votes, 12 rejected the treaty unconditionally, one rejected it with reservation, and only one voted in favor of the treaty, yet with reservation.

The other nine senators left the Senate without putting in their votes in a survey conducted by Senate President Jovito Salonga after a closed-door briefing by the Philippine bases negotiating panel.

Under the Philippine Constitution, at least 16 votes are needed to ratify the treaty that ensures continued U.S. military presence in the Philippines after September 16, 1991 when the current military bases agreement between the two countries expires.

The Philippines and the United States agreed on July 17 that the U.S. will turn over Clark Air Base to the Philippines by September 16, 1992 and retain Subic Naval Base for 10 more years.

Meanwhile, the U.S. will give the Philippines 360 million U.S. dollars in 1992 and 203 million U.S. dollars yearly in the rest nine years for its continued stay in Subic.



## Political & Social

### Jiang, Deng, Others Mark University Anniversary

OW2907142591 Beijing XINHUA in English  
1357 GMT 29 Jul 91

[Text] Shenyang, July 29 (XINHUA)—Party and state leaders Jiang Zemin, Deng Xiaoping, Yang Shangkun and Li Peng recently wrote inscriptions to mark the 60th anniversary of the founding of the Chinese Medical Sciences University.

The inscription written by party chief Jiang Zemin reads: Run the socialist Medical Sciences University in the tradition of the medical school of the Red Army.

Deng Xiaoping inscribed the title of the book on the history of the university. The inscription reads: The history of the Chinese Medical Sciences University.

The inscription written by President Yang Shangkun reads: Run the Chinese Medical Sciences University in the spirit of Yanan.

The inscription written by Premier Li Peng reads: Carry forward the cause and forge ahead into the future by training more outstanding doctors for the motherland.

Also writing inscriptions for the university were Chen Yun, Li Xiannian, Peng Zhen, Deng Yingchao and Li Tieying.

The Chinese Medical Sciences University, which is now located in Shenyang City in northeast China, grew out of the Medical School of the Chinese Workers' and Peasants' Red Army, which was founded in Ruijin in Jiangxi Province, east China, in 1931.

At the beginning, the medical school had only 25 students and five teachers. One horse could carry all the equipment the school had in those days.

After 60 years of development, however, the Chinese Medical Sciences University now has over 10,000 teachers and students and four attached hospitals. It is now a modern university with first-class teaching, research and clinical facilities. In the past 60 years the university has trained over 26,000 medical workers. It has also established relations with its counterparts in dozens of countries and regions.

### Jiang, Li Greet Desertification Meeting

OW3007083491 Beijing Central People's Radio  
Network in Mandarin 0930 GMT 29 Jul 91

[From the "National Hookup" program]

[Text] A national work meeting on controlling desertification opened in Lanzhou today. General Secretary Jiang Zemin and Premier Li Peng wrote to the meeting to extend their warm congratulations. Their letter reads:

Controlling desertification is a great task of strategic significance that affects the national economy and the

people's livelihood. We should regard such a task as an important project and include the task in the program for national economic and social development. In our work to control desertification, we should depend on common efforts by the whole society and bring out the enthusiasm of all sectors. Party committees and governments at all levels in desert zones should list desertification control as an important item on their agenda. The All-China Greening Committee and the Ministry of Forestry should exert stronger control over relevant trades, unify planning, control desertification in a comprehensive way, practice a strict responsibility system, implement supportive policies, attach importance to science and technology, and strengthen organization and management.

In their letter, Jiang Zemin and Li Peng pointed out that it is necessary to extensively and thoroughly carry out propaganda work and education as well as enhance the sense of responsibility and urgency toward effective desertification control. They hoped that the vast numbers of cadres, people, and scientific and technological personnel would promote the spirit of self-reliance, wage hard battles and strive to open up new prospects for desertification control.

### Commentator on Desertification

HK3007040091 Beijing RENMIN RIBAO in Chinese  
29 Jul 91 p 2

[Commentator's article: "Open Up New Situation in Desert Control"]

[Text] The State Council recently decided to set up a nationwide coordination team for desert control work, and the Forestry Ministry formulated a nationwide 10-year desert control program. This is an important measure in our country's desert control effort.

Our country has relatively large desert areas, which are scattered rather extensively and bring comparatively great harm. According to a survey, deserts and barren land account for more than 1.53 million square km, surpassing the country's total area of farmland. Due to objective reasons and the destruction of vegetation by man, the deserts are still expanding. In our country, from the 1930's to the 1970's, an average 1,560 square km of land became desert annually; in the 1980's, the figure rose to 2,100 square km. People living in the areas of green mountains and blue rivers probably cannot imagine that deserts are encroaching upon them.

Throughout history, in our country, much fertile land became uninhabited deserts in just a few hundred years. Wind blew up the sand, and agriculture and animal husbandry declined. In the 1960's, Chaohai Township, Kezuo Back Banner, Ih Ju League, Inner Mongolia, was an advanced unit in handing over grain to the state. In the 1980's, because 80 percent of the land became desert, it became a place short of grain and grass. In the "three north" regions, some 200 million mu of farmland suffered from wind and sand, and grain output was low and

unstable; some 150 million mu of grassland seriously degenerated because of wind and sand. Shifting sand not only hit and buried farmland, grazing land, towns, and roads, but also jeopardized water conservancy facilities, raising river beds and causing floods.

It is an urgent task to bring deserts under control and improve the ecological environment. This undertaking has a bearing on ensuring stable and high agricultural and animal husbandry output, and is of special significance to national economic development and materializing the second-step strategic goal. Our country began desert control in the 1950's, and scored great results. However, because we have not listed desert control as a construction project in the national economic development plan, the scale, pace, and practical effect of desert control still cannot meet the need of development of the situation. Over the years, many advanced models emerged in desert control work, and some localities have already achieved marked economic, ecological, and social returns. However, as far as the whole country is concerned, the speed of control still cannot catch up with the speed at which land becomes sand. If we do not take effective measures to speed up control over deserts and prevent land from turning into sand, then more serious consequences will emerge.

The successful experience in desert control that some localities have had proves that so long as we can strengthen leadership, mobilize the masses, and resolutely carry out comprehensive control, man will advance and the desert will retreat. Shaanxi's Yulin Prefecture developed the "spirit of Yenan," resolutely and ceaselessly fought the desert for 40 years, and made it possible for the desert areas to turn from poverty to affluence. Xinjiang Production and Construction Corps has already turned 11.7 million mu of sandy land into high-yielding farmland with stable output. They did it. Why cannot other localities?

Marching toward the desert means two things. On the one hand, on the premise of properly protecting the current forests, grasslands, and vegetation, it means controlling the desert, preventing it from advancing, and preventing windy and sandy land from expanding. On the other hand, it means developing and utilizing the desert. When control goes along with development and use, the masses' enthusiasm can be aroused, and the best results can be attained. Desert is harmful, but it is also a precious treasury with huge resources. The sandy areas not only have land suitable for afforestation and farmland, but also many rare plants and animals and mineral resources. The sandy areas have a lot of sunshine, and wind blows almost throughout the year; these are favorable conditions for developing solar and wind energy. Therefore, it is necessary to skillfully develop and utilize the desert, and develop production during the fight against desertification, eliminating harmful things and promoting and favorable things.

The duty specified by the 10-year desert control program is very arduous. We firmly believe that under the leadership of the CPC Central Committee and the State Council, the great masses of the people in the sandy areas and the scientific and technological personnel who aspire to control deserts can certainly bring change to our country's desert control undertaking.

### Bo Yibo Addresses Sun Zi Series Forum

OW3007065191 Beijing Central People's Radio Network in Mandarin 2130 GMT 29 Jul 91

[From the "News and Press Review" program]

[Text] *The Art of War* by Sun Zi, reputed to be the first book in the ancient world about war, is still highly valued and attracts even greater attention after more than 2,500 years.

Recently the Zhejiang People's Art Publishing House published a series of picture-story books: *The Art of War* by Sun Zi.

Nie Rongzhen wrote the title for the book series.

Bo Yibo attended and spoke at a forum on the series held yesterday [29 July].

### Article Reviews *Selected Works of Peng Zhen*

HK2807052191 Beijing RENMIN RIBAO in Chinese 22 Jul 91 p 5

[Article by Zheng Tianxiang (6774 1131 5046), Liu Fuzhi (0491 1788 0037), and Wang Hanbin (3769 3352 2430): "Firmly Reinforce Socialist Democracy, Legal System: What We Have Learned From *Selected Works of Peng Zhen*"]

[Text] *The Selected Works of Peng Zhen* is another valuable work by the older generation of revolutionaries of our party. Comrade Peng Zhen has held important party and state posts for a long time; his works involve many theoretical and practical problems of revolution and socialist construction, among which the discussion on developing socialist democracy and perfecting the socialist legal system has carried a great deal of weight. The works in this area, which have been included in the selected works, reflect the historical process and basic experience in the party's and state's efforts to lead the people of various nationalities in the whole country to strengthen construction of socialist democracy and the socialist legal system. They have played an important role in solving actual problems in the past, and still have great significance in guiding socialist democracy and socialist legal system construction in the future.

### I. It Is the Party's and State's Historic and Basic Duty To Develop Socialist Democracy and Perfect the Socialist Legal System

Why must we develop socialist democracy and perfect the socialist legal system? Comrade Peng Zhen applied the viewpoint of historical materialism, and took the

greatest good of the greatest number as the point of departure and foothold to make a profound analysis. He said: In the past several decades, our party led the people of various nationalities in the whole country to engage in revolution, seek liberation, build a new society, and "go through the transition from fighting the revolutionary war to overthrowing the three big mountains and to carrying out socialist construction." In the period of revolutionary war, we did not have nationwide political power. As far as the whole country was concerned, law belonged to the Kuomintang or foreign invaders. "At that moment, the reactionary ruling class precisely needed 'lawlessness,' and mainly talked about policy when dealing with the people. This was a historic period." Since the founding of the nation, we have nationwide political power, and the situation has changed. "We must gradually change from relying on policy to do things, to relying not just on policy, but also on building and perfecting the legal system and on law to do things." This idea is profound. In fact, in understanding and practice, to materialize this historic transition, to develop socialist democracy, and to perfect the socialist legal system is to draft law according to the common will of the people after they grasp political power; to use law to consolidate the political power of the people's democratic dictatorship; to ensure that, based on law and through various channels and styles, the people oversee state affairs, as well as economic, cultural, and social affairs; to protect and promote the development of socialist construction; and to safeguard the people's common interests. Just as Comrade Peng Zhen has said many times, this is the reliable guarantee for long-term stability in the country, for enabling it to be comparatively able to endure various risks, and for overcoming various difficulties; this is a historic duty of a basic and overall nature; and this has a bearing on our descendants, and is the party's and the state's great plan for 100 years and 1,000 years.

We have paid a heavy price to acquire the ability to understand the function and meaning of developing socialist democracy and perfecting the socialist legal system. In 1953, Comrade Peng Zhen proposed: "At present, the social reform movement aimed at completely eliminating the residual forces of the three big enemies has generally come to an end. In future, it is necessary to step up construction of a formal revolutionary legal system and to ensure the smooth progress of the state's construction undertaking and that the people's interests are not infringed on." In 1954, he further explicitly proposed that under the condition that planned economic construction had begun and the constitution had been promulgated, "it is not only necessary to do things according to principle and policy; it is necessary to do things according to law." At that moment, our party attached importance to this problem. In 1956, the Eighth CPC Congress clearly proposed that the state must gradually and systematically draft a complete law according to need and that all government departments and personnel must strictly abide by the state's law, so allowing the people's democratic rights to

be fully protected by the state. However, this correct principle has not always been upheld. Sometimes it has been grasped firmly, sometimes it has been relaxed. During the Great Cultural Revolution, socialist democracy and the socialist legal system were seriously disrupted, and the lesson was very bitter. At the Third Plenary Session of the 11th CPC Central Committee, which was convened in the winter of 1978, the Central Committee with Comrade Deng Xiaoping as the core summed up the historical experience and decided to shift the party's and state's key task to socialist modernization construction centering on economic construction; at the same time, development of socialist democracy and perfection of the socialist legal system was emphasized and taken as the basic goal and duty of building socialism with Chinese characteristics.

After that plenary session, Comrade Peng Zhen, who was 77 years old, resumed work; with great revolutionary enthusiasm, and with an extremely responsible spirit, he worked painstakingly day and night, making outstanding contributions to the construction of socialist democracy and the socialist legal system during the new period in our country.

## II. All Power in the PRC Belongs to the People

Basically speaking, socialist democracy means the people are the masters. Comrade Peng Zhen pointed out in his report on the revised draft constitution: The nature of a state of the people's democratic dictatorship determines that in our country the people and only the people are the masters of the country and society. The revised draft constitution clearly stipulated: "All power in the PRC belongs to the people." This is the core content and basic standard of the state system in our country.

There must be an organizational style for the people to be the masters of the country and to manage the country. Comrade Peng Zhen repeatedly pointed out that this organizational style is the National People's Congress (NPC) and the local people's congresses at various levels. The system of people's congresses is the basic political system in our country. Through this system, the people in our country grasp the country's and nation's fate in their hands by electing the representatives they choose to manage the country. Our political system and state system are not separation of three kinds of power. In 1951, Comrade Peng Zhen said: The system of people's congresses (at that moment its function was temporarily being played by the meeting of people's representatives) is our country's basic political system, the basic organizational style by which the people in the whole country manage the state, and the best, most effective, and most important style for following the mass line in our political power work. Long-term practice proves that our system of people's congresses is a good system suited to China's situation. In 1982, Comrade Peng Zhen stressed in his report on the revised draft constitution that "it is a reliable guarantee for safeguarding the basic interests



of the people when 1 billion people grasp the state's power; it is also a reliable guarantee enabling our country to survive various risks."

Another basic aspect of the people being the masters of the country is the practice of grass-roots autonomy by the masses; the masses take care of their own affairs according to law and directly exercise democratic rights, and this is the foundation work and capital construction of the political system of socialist democracy. Comrade Peng Zhen pointed out that without autonomy for the masses and without direct democracy at the grass-roots level, socialist democracy lacks one aspect, as well as an extensive and firm mass foundation. When there is a committee of villagers, the mass of peasants practice direct democracy according to the principle of democratic centralism; they will decide what to do, what not to do, what to do first, and what to do later according to law, and this is the broadest democratic practice. When they can properly handle the affairs in a village, they will gradually handle the affairs in a township; when they can properly handle the affairs in a township, they will gradually handle the affairs in a county; they will train themselves step by step and upgrade their ability to discuss government matters. It is an extraordinary thing when 800 million peasants practice autonomy, self-management, self-education, and self-service, and really become the masters; it has never happened in history. Properly running committees of villagers and residents' committees is an important reform of the state's political system; it is of great and profound significance to eliminating feudal residues, changing the old traditions and habits, and realizing the goal of allowing the people to become the masters.

Our state system and social system legally and factually ensure that the citizens in our country enjoy broad and real freedoms and rights. Regarding this question, Comrade Peng Zhen particularly pointed out the principle that every citizen is equal before the law. In 1954, when addressing the First Session of the First NPC, he focused on explaining this principle, pointing out: In our country, every person must abide by the law, and every person is equal before the law; the law should be and must be the guideline for the practical actions of the whole citizenry and all state staff and departments; no privileged element overriding the law is permitted. In 1982, he stressed again in his report on the revised draft constitution that citizens are equal before the law, saying "this is the basic principle ensuring implementation of socialist democracy and the socialist legal system."

The people's democratic dictatorship means, apart from the aspect of practicing democracy for the people, the aspect of practicing dictatorship by the whole people over their enemies. The two aspects are mutually supportive and supplementary, and neither can work without the other. Comrade Peng Zhen pointed out: After the exploiting system and the exploiting class vanish, due to factors within the country and international influences, class struggle will exist for a long time in a certain domain, and might intensify under certain conditions. The people in our country still have to

struggle against the hostile forces and elements at home and abroad who are hostile to our country's socialist system, which they try to destroy; the people must also give harsh punishment according to law to the criminals who seriously jeopardize social order and seriously sabotage the economy. Not only can the state's dictatorship function not be lost, it cannot be weakened. Upholding this dictatorship function is safeguarding the smooth process of socialist modernization construction, and is needed for the protection and development of socialist democracy.

When discussing the question of socialist democracy and the socialist legal system, Comrade Peng Zhen never proceeded from abstract democracy, freedom, and human rights; he carried out analysis using the viewpoint of historical materialism, and cleared the smoke and mist around the problem of democracy created by the bourgeoisie and the scholars whom it hired to work for it. He once said: Is the socialist system better or is the capitalist system better? What is the essential difference between the two systems? I need only make two points. First, under this system of ours, even though there are shortcomings and mistakes in the work here and there, in the final analysis the people are the masters of the country and society. Who is the master in capitalist society? The bourgeoisie are the master. Even though there are some supporting roles and names, in the final analysis it is the bourgeoisie who are the master. Second, our state and our state personnel serve the people and socialism. Here also, some people abuse power for private ends, and among party members there are also some who abuse power for private purposes, but this is unlawful and should be handled according to law. Who is served by a capitalist country? It serves capital and the grabbing of surplus value. Regardless of liberalization or monopolization, in the final analysis the fruits of the people's labor serve capital. At present, some people are preaching bourgeois liberalization as a new thing. In fact, it is not a new thing; it is a thing which was dumped in the garbage long ago.

### III. It Is Necessary To Safeguard the Dignity and Stability of the Constitution

The constitution is the foundation of the socialist legal system. The current constitution has summed up the basic historical experience in our country over the past 100 years, especially the experience in socialist revolution and construction since the founding of the nation; it has also absorbed some beneficial experience from abroad, and is the product of a high degree of centralism on the foundation of a high degree of democracy; and it is a combination of the correct decision by the CPC and the common will of the people in the whole country. In the style of being the state's basic law, it affirms the achievements in struggle made by the people of various nationalities in our country, and stipulates the state's basic system and basic duty; it has the highest legal effect, and is the main rule by which we run the country and build socialism with Chinese characteristics.

During the whole process of directly overseeing and concretely guiding the drafting of the current constitution, Comrade Peng Zhen always insisted on using the four cardinal principles as the general guiding thought and to permeate the whole constitution. He said the four cardinal principles resembled four poles supporting the mansion of our people's republic; "they reflect the rule of historical development which will not change according to people's will on the one hand, and are a decisive choice made by millions of Chinese people during the long struggle on the other hand," "they are the common political foundation upon which the people of various nationalities in the whole country unite for progress on the one hand, and are the basic guarantee for a smooth process of socialist modernization construction on the other hand." He pointed out many times in his speeches that the four cardinal principles are clearly affirmed in the preface to the constitution. Article 1 of the constitution also stipulates that the PRC is to be led by the working class, not the bourgeoisie, and not by the working class sharing equal power with the bourgeoisie; it is to be based on an alliance between workers and peasants, not on other classes or stratum; it is a people's democratic dictatorship, not a bourgeois dictatorship, and not dictatorship by the class of landlords; and it is a socialist country, not a capitalist country. Article 1 includes three of the four cardinal principles. Article 24 also stipulates that the state is to carry out education on patriotism, collectivism, internationalism, communism, dialectical materialism, and historical materialism for the people; and oppose capitalistic, feudalistic and other corrupt ideas. This explains that the four cardinal principles are not only the core content of ideological and political education for cadres and the masses, but also manifest themselves as the basic system in our country. An extremely small number of people who stubbornly carry out bourgeois liberalization have shouted loudly for amending the constitution because they want to abolish the four cardinal principles and destroy the foundation of our country. In 1989, during the grim struggle which had a bearing on the future and fate of our party and country, Comrade Peng Zhen made an important speech entitled "unify thinking by the constitution and the law," and he pointed out: At present, thinking is comparatively chaotic, and there are various slogans, points of view, ideas, and programs. How can we unify our thinking? We have the constitution and the law, and we should and must use facts as the basis and the constitution and law as the standard to unify our thinking. In our country, the bourgeois liberalization activities violate the constitution and the basic interests of the people of various nationalities in the country. Unify thinking, and this is the main principle. If this is not settled, thinking cannot be unified, and problems cannot be solved. The problems within the party also come from here. The speech pointed out the standard for action which should be observed together by the people in the whole country at that moment of serious disturbance; it played a great role in distinguishing right from wrong, and in unifying thinking.

The constitution uses the four cardinal principles as the main guiding thought, and fixes a principle for reform. Comrade Peng Zhen repeatedly pointed out that the constitution's preface contains the following words: It is necessary to "uphold the socialist road, and continually perfect various institutions of socialism." The constitution has regulations on state departments, and these regulations reflect the principle and accomplishment of reform of state departments, and will push the reform in this area further ahead. Article 14 of the constitution stipulates: It is necessary to "perfect the system of economic management and the system of managing and operating enterprises, and to implement socialist responsibility systems of various styles." He pointed out clearly in his report on the revised draft constitution, that: "At present, our country is carrying out economic restructuring, and has made great achievements; in future, we should thoroughly and deeply carry on. The relevant regulations of the draft fix the principle for this kind of reform. Advancing in this direction, we surely can build and develop socialist economy with Chinese characteristics, and enable our country to gradually become rich." Upholding the four cardinal principles is identical to upholding the reform and opening up. Comrade Peng Zhen pointed out that so long as we can uphold the four cardinal principles, regardless of reform or opening up, big problems will not emerge, and when problems emerge, they can be easily solved. Conversely, if we lost the four cardinal principles, then reform, opening up, and construction will not have the correct direction, norms, or track, and we will not know where they will lead to, and we will face more chaos. Therefore, upholding the four cardinal principles is the basic guarantee for doing a good job in reform, opening up, and socialist construction. Responding to the erroneous tendency in which some people separate upholding the four cardinal principles from upholding reform and opening up, and set one against the other, Comrade Peng Zhen solemnly pointed out: Some people say, reform is "de-Marxism-Leninism" and "de-Mao Zedong Thought," while "upholding Marxism-Leninism is opposing reform." If this theory is not ignorance and misunderstanding, it is a challenge. The essence of Marxism is critical and revolutionary. Our reform is a self-perfection of the socialist system. Upholding the four cardinal principles and opposing bourgeois liberalization is precisely for protecting the smooth process of reform and opening up.

At present, the biggest interest of our country and people is stability. Comrade Peng Zhen pointed out in his report on the revised draft constitution: "The constitution's authoritativeness has a bearing on political stability and the country's fate, and the root of the constitution should never be left in jeopardy." In the past two or three years, he repeatedly stressed that a stable constitution is the foundation for a stable country, that it is necessary to safeguard the constitution's dignity and stability, and by doing so we can have the country's stability and ensure that the country does not change color. The constitution

has already stipulated that "people of various nationalities in the country, every state department and the armed forces, various political parties and social groups, and various enterprises and business organizations must carry out activities using the constitution as the standard," and "abide by the constitution and law." "no organization or individual should have the privilege to override the constitution and law," and "every behavior violating the constitution and law must be looked into." No matter who they are, and regardless of cadres or common people, and whether inside or outside the party, they all must observe the constitution.

#### **IV. The Party Leads the People To Formulate the Constitution and the Law; It Also Leads the People To Observe and Enforce the Constitution and the Law**

With what do we perfect the socialist legal system? Comrade Peng Zhen pointed out time and again that there are two basic rules: First, party leadership; second, relying on the masses.

Comrade Peng Zhen pointed out that in our country, the party leads the people to formulate the constitution and law, and the party also leads the people to observe and enforce the constitution and law, and the party itself must also carry out activities according to party constitution within the domain of the constitution and law. If the party does not exercise leadership over perfecting the socialist legal system, no one can properly exercise leadership. Upholding party leadership, doing things strictly according to law, and obeying the people's will; these three things are identical and united. Our party takes serving the people wholeheartedly as its sole purpose, and other than the interest of the working class and the great masses of people, the party does not have any special interest for itself. Perfecting in accordance with law the system of people running the country is precisely for better materializing party leadership; there is only one purpose and duty of the two, that is, for the greatest interest of the largest majority of people. Therefore, when party members obey the constitution and law, they are obeying party leadership and the basic interests of the people.

Lenin said that the basic problem of revolution is the problem of political power. As a ruling party, our party strengthens and improves party leadership, and one crucial problem is to attach importance to the state's political power and law and skillfully use them to materialize the party's ideas, to safeguard and triumphantly push toward the party's undertaking which is also the people's undertaking. Comrade Peng Zhen pointed out: To uphold party leadership, the most basic and important thing is to rely on the correctness of the party's ideological and political leadership; the correctness of the party's line, principle, and policy; the close ties between the party and the people, repeated discussions with the masses on the party's ideas, and collection of the masses' ideas to reflect the biggest interest of the largest majority of people; and the exemplary role of the great masses of party members in taking the lead. At the same

time, the leadership and activities of the party in state life are carried out within the domain of the constitution and law. After the people grasped the state's political power, in terms of content, what the party and state want to do are identical. In terms of style, except the party, there is the state's style. The party's and the people's idea can become law only if adopted by the NPC and its Standing Committee. When party organizations at various levels and the great masses of party members play an exemplary role in observing and enforcing the constitution and law, and hand the constitution and law over to the masses for them to grasp; when everyone has the concept and habit of doing things according to law, and fights against the behavior which violates the constitution and law and which sabotages the socialist legal system, a great force will take shape, and our constitution and law will certainly play a great role in consolidating people's democratic dictatorship, safeguarding the socialist system, and promoting socialist modernization construction.

#### **'Pen Talk' on Building Characteristic Socialism**

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["Pen Talk" column under heading "Only Socialism Can Develop China" by Zhong Zhengyan (6988 2973 6056): "Work Hard To Carry Out the Great Task of Building Socialism with Chinese Characteristics"]

[Text] Editor's note: "Building socialism with Chinese characteristics"—this is a banner of brave advance and victory that contemporary CPC members and the people of all nationalities of China are holding aloft.

The theory, line, policy, and principle of building socialism with Chinese characteristics that Comrade Deng Xiaoping put forth are creations that concentrate the wisdom and experiences of the whole party, are important contributions toward Marxism-Leninism-Mao Zedong Thought under new historical conditions, and mark a new leap in our party's understanding of the law of socialist construction.

On the foundation of the experience of summing up and implementing the party's basic line of "one center, two basic points," the Seventh Plenary Session of the 13th CPC Central Committee boiled down the basic theory and practice of building socialism with Chinese characteristics to 12 principles, showing that our party has understood more profoundly the theory of building socialism with Chinese characteristics.

Comrade Jiang Zemin's speech at the meeting to mark the 70th anniversary of the founding of the CPC is a programmatic document to direct the whole party and the people of all nationalities of the whole country to forge ahead continuously along the road of building socialism with Chinese characteristics, and is an important piece of Marxist literature. At present, we must closely integrate the study of the spirit of the Seventh



Plenary Session of the CPC Central Committee with the study of Comrade Jiang Zemin's "July 1" speech and seriously implement them.

In coordination with the whole party studying and grasping even better the basic theory of building socialism with Chinese characteristics, and to successfully carry out the great tasks of the Eighth Five-Year Plan and 10-Year Program, we have specially asked comrades of the departments concerned of the central authorities and of some provincial and city party committees to write elucidative articles on the 12 principles of the theory of building socialism with Chinese characteristics to study and approach them together with everyone. What is published today is a general introduction; 12 articles on different subjects will be published on the theory page later. Readers' criticisms, views, and guidance are welcomed. [end editor's note]

During the new historical period, the basic task of our party is to unswervingly take our own road and to build socialism with Chinese characteristics. The central issue stressed by the Seventh Plenary Session of the 13th CPC Central Committee and Comrade Jiang Zemin's "speech at the meeting to mark the 70th anniversary of the founding of the CPC" is to carry out continuously the great task of building socialism with Chinese characteristics. On the foundation of the experience of summing up practical experience, the Seventh Plenary Session of the CPC Central Committee boiled down the basic theory and practice of building socialism with Chinese characteristics to 12 basic principles. In his "speech," Comrade Jiang Zemin highly appraised the summary of the 12 basic principles. Completely and profoundly grasping these basic principles and continuously working hard to push forward the cause of building socialism with Chinese characteristics are the common duties and solemn tasks of the whole party and the people of all nationalities of the whole country.

### 1. New Subject in the Practice of Socialism

In the era of Marx and Engels, there was a great change from utopian to scientific socialism. Over the past 100 years and more, scientific socialism has been able to make a tremendous and profound change in the development of human society according to its anticipated orientation because it is a scientific theory on a realistic foundation. To meet the needs of the proletarian revolution, Marxism came into being in practice on the foundation of the law of scientifically analyzing and summing up the development of human society and of the experience in the proletarian revolutionary struggle. Placing theory on a realistic foundation is the fundamental feature of scientific socialism, that makes scientific socialism different from utopian socialism. Placing theory on a realistic foundation is also a fundamental demand on scientific socialism itself, as a kind of developing science. It is according to this fundamental demand on scientific socialism that Marxists in different historical periods insist on proceeding from reality and apply the Marxist standpoint, viewpoint, and method to

analyze and furnish answers to the new subjects put forth at those stages to make this branch of science develop unrelentingly.

In Lenin's era, capitalism passed from the stage of free competition to the stage of monopolistic competition. Contradictions between imperialist countries became acute, leading to the outbreak of the First World War. In the light of the actual situation at that time, Lenin applied the method of historical materialism to analyze the economic and political characteristics of imperialism and its basic contradictions, and discovered the unbalanced law of economic and political development of capitalism, thus coming to the conclusion: Victory in socialism is likely to be won first in a small number of capitalist countries and even in one capitalist country alone; Marx's and Engels' formula that victory in the socialist revolution can first be won simultaneously in several developed capitalist countries no longer suited the new historical conditions. Lenin employed the theory of "victory in one country" to guide the Russian proletariat to victory in the October Socialist Revolution and developed the doctrine of the proletarian revolution and proletarian dictatorship. Victory in the October Revolution marked the turning of scientific socialism from a theory into a reality.

In the course of directing the Chinese revolution, Comrade Mao Zedong insisted on placing Marxist theory on the foundation of China's realities and resolved the new problems and new tasks put forward by the Chinese revolution. In dwelling on what type of theoreticians we needed, Comrade Mao Zedong pointed out that they were "those who can correctly explain practical problems arising in history and in the revolution on the basis of the Marxist-Leninist standpoint, viewpoint, and method, who can give scientific explanations and theoretical elucidation of the economic, political, military, and cultural issues of China." (*Selected Works of Mao Zedong*, Second Edition, Volume 3, page 814) Represented by Comrade Mao Zedong, CPC members integrated the universal principle of Marxism with China's specific realities, put forth the theory of the new-democratic revolution, opened a revolutionary road of using the countryside to encircle the cities, and guided the revolution to nationwide victory. In seven years after the founding of our country, on the foundation of quickly restoring the national economy, our party led the people to creatively carry on the socialist transformation of the private ownership of the means of production and to successfully establish a socialist system in our country.

To embark on revolution, we must insist on integrating the universal truth of Marxism with the specific realities of all countries, and to embark on construction, we must also do so. After the Russian October Revolution in 1917, particularly after the Second World War, victory in the socialist revolution was won in a series of countries, and the communist party members of these countries all faced a problem of how to integrate the universal principle of Marxism with the specific realities of their

own countries and how to build socialism on a comparatively backward economic and cultural foundation. The development of socialist practice put forward this new subject to the communist party members, and they could not find a ready answer from Marx and Engels. Over the past 70 years and more, communist party members of socialist countries have carried on many explorations, in which there are valuable successful experiences as well as bitter unsuccessful experiences.

In light of the situation and the tendency toward development of the capitalist countries at that time, Marx and Engels analyzed and put forth the basic characteristics and certain ideas of socialist society. They maintained that socialist society pursued the public ownership of the means of production on the foundation of highly developed large-scale socialized production; readjusted social production in a planned way in the light of social wants; distributed consumer goods to individuals according to work after making necessary deductions in the total social product, and commodity production and circulation no longer existed; eliminated class antagonism and class differences, and so on. Success in the October Revolution verifies the historical law that capitalism certainly is replaced by socialism, as revealed by Marx and Engels and realizes the basic principle of socialist society, as put forth by them. Of course, the development of the practice of socialism also makes a breakthrough in their certain specific ideas of socialist society. In light of the development and change of the actual situation, Lenin put forward and implemented a series of policies of developing the economy and building socialism, including the "new economic policy," that suited the Russian situation at that time. He emphasized: "The products of big industry ('socialized' industry) are to be exchanged for peasants' products. This is the economic essence and foundation of socialism." (*Complete Works of Lenin*, Second Edition, Volume 41, page 376) In his later years, he also put forth the idea of the coexistence of two kinds of socialist public ownership. In the course of practice, all this deepened understanding of the law of building socialism in an economically and culturally comparatively backward country. However, for many reasons, it was too late, and also impossible, for him to completely resolve the road of building socialism in an economically and culturally comparatively backward country and other important problems.

After the Second World War, a number of newly built socialist countries made explorations of different degrees of the problem of building socialism in light of the national conditions of their own countries, and scored very great achievements in economic and social development. However, due to lack of experience in building socialism, some countries indiscriminately copied more of the Soviet pattern for a comparatively long period of time and their results were unsuccessful. These facts show that it is very important to integrate the universal principle of Marxism with the specific realities of one's own country and to take one's own road of socialist construction.

Building socialism with Chinese characteristics is just a scientific answer contemporary CPC members have given to this new subject of how to carry on socialist construction in light of the national conditions of our own country. Since the Third Plenary Session of the 11th CPC Central Committee, our party has completely summed up historical experiences and lessons, gotten rid of all sorts of interference, insisted on socialist modernization construction in light of China's realities, implemented the socialist policy of reform and opening up, opened up a correct road of building socialism with Chinese characteristics, and scored great achievements in social, economic, and all other causes. Practice has already proved and will continuously prove that this road is taken correctly.

Lenin said that all nations would be heading for socialism but "the ways they take are completely different," and "each nation has its own characteristics" (*Complete Works of Lenin*, Second Edition, Volume 28, page 163). It is the same with the socialist revolution, and it is also the same with socialist construction. As the leap from "common victory" advocated by Marx and Engels to "victory in one country" preached by Lenin, and from the Russian October Revolution to "using the countryside to encircle the cities" in the Chinese revolution were leaps in the history of understanding of Marxism, the road from indiscriminately copying the pattern of another country to "taking one's own road" in socialist construction is also an important leap in the understanding and practice of socialism. Seriously carrying out the great task of building socialism with Chinese characteristics in such a large country as China not only has a bearing on our country's economic development and all-round social progress and on the future and destiny of our country's socialist cause, but also produces a profound effect on the international communist movement and the course of human history.

## 2. Basic Conclusion After Summing Up Long-term Historical Experiences

Building socialism with Chinese characteristics was put forth by Comrade Deng Xiaoping. In September 1982, in his opening speech at the 12th CPC National Congress, he pointed out: "Integrating the universal truth of Marxism with the specific realities of our country, taking our own road, and building socialism with Chinese characteristics are the basic conclusions we have come to after summing up long-term historical experiences." This basic conclusion was hard-won and underwent a hard course of exploration. It shows that our party has scaled a new height of understanding the law of socialist construction.

In the initial period of the founding of our country, we drew on Soviet experiences in socialist construction in many aspects (of course, we did not learn everything from it), this played an active part under the historical conditions at that time. Subsequently, practice, however, gradually proved that many of their specific experiences did not suit the national conditions of China. In 1956,

after the basic completion of the socialist transformation, our country began shifting to all-round and large-scale socialist construction. The task of exploring a road of socialist construction suitable to China's characteristics was historically placed before the whole party. Comrade Mao Zedong and our party made vigorous explorations. In April 1956, Comrade Mao Zedong made a famous speech "On the Ten Major Relationships," whose basic spirit is to draw lessons from the Soviet Union, to sum up our country's experiences, and to explore a road of building socialism suitable to China's situation. He said: "What especially merits attention is that some defects and mistakes have recently been exposed in the Soviet Union in the course of building socialism and they have gone through a tortuous road. Do you still want to go that way? In the past, we drew on their experiences and lessons and we went a tortuous road less, but we must now take warning from them." (*Selected Works of Mao Zedong*, last volume, pages 720, 721) He also said: The basic viewpoint of the ten major relationships is that we make a comparison with the Soviet Union. Aside from the method of the Soviet Union, we can find another method that is quicker and better than that of the Soviet Union or all East European countries. In one word, to learn from the Soviet Union, we must not have blind faith. "We must break with blind faith, regardless of blind faith in China or blind faith in a foreign country. Our later generations must also break with blind faith in us." (quotation from Bo Yibo: "Review of a Number of Important Policy Decisions and Incidents," page 484). At the eighth national congress of the party held in September that same year, it was correctly pointed out that class struggle was no longer the main contradiction of our country's society, and that the main tasks of all people throughout the country were to develop social productive forces, and to turn a backward agricultural country into an advanced socialist industrial country, a series of principles and policies were put forward. In this period, some other leading comrades of the central authorities also put forth many important views on socialist construction. However, due to the limitation by historical conditions and to the "Left" mistake gradually brought about in the party's guiding ideology, these correct ideas could not be realized and insisted on in the course of practice and such serious setbacks as the Great Leap Forward and Great Cultural Revolution occurred.

The Third Plenary Session of the 11th CPC Central Committee marked a great historical turning point of the focus of the work of our party and country. After the plenary session, the party Central Committee with Comrade Deng Xiaoping as the core vigorously explored a road of building socialism with Chinese characteristics on the foundation of bringing order out of chaos and carrying out thoroughgoing reform. In his important speech "Adhering to the Four Cardinal Principles," Comrade Deng Xiaoping clearly and definitely pointed out in March 1979: "In the past, when we embarked on the democratic revolution, we had to take such measures as were suitable to China's situation and take the road of

using the countryside to encircle the cities as opened up by Comrade Mao Zedong. Now, when we embark on construction, we must also take such measures as are suitable to China's situation and take a Chinese-type road of modernization." (*Selected Works of Deng Xiaoping* 1975-1982, page 149) Proceeding from the basic national conditions of a weak foundation, large population, and little arable land of our country, he put forth the main tasks at present and for a fairly long period of time from now on: We must embark on modernization construction, realize the four modernizations, adhere to the four cardinal principles, and implement the policy of reform and opening up. In October the same year, on behalf of the party central committee, Comrade Ye Jianying delivered the National Day speech, putting forward the tasks of building modernized socialism to make the country powerful; proposing that while building a high degree of material civilization, it is necessary to build a high degree of socialist spiritual civilization; and stressing that four modernizations construction is the center and that while reforming and improving the socialist economic system, it is essential to reform and improve the socialist political system and to strive to take the road of achieving modernization that suits our country's situation and characteristics. The "resolution on a number of the party's historical problems since the founding of our country" adopted at the Sixth Plenary Session of the 11th CPC Central Committee, summarized and expounded the main points of the road of socialist modernization construction suitable to our country's situation that our party has gradually established. Subsequently, Comrade Xiaoping further summarized explorations in this period into a scientific conclusion, "building socialism with Chinese characteristics," which was unanimously affirmed by the 12th national congress of the party. This showed that our party's basic theory and practice of building socialism had ushered in a new stage of development. The 13th national congress of the party also boiled down the theory of building socialism with Chinese characteristics to 12 aspects, and showed that the understanding of this problem had been further systematized.

Since the Fourth Plenary Session of the 13th CPC Central Committee, under the leadership of the party Central Committee with Comrade Jiang Zemin as the core, our party has seriously summed up experiences in practice in the past 10 years and more, correctly adhered to them, improved them if inadequate, and corrected them if erroneous so that all comrades of the whole party can continuously deepen their understanding of the basic theory and practice of building socialism with Chinese characteristics. The "proposal of the CPC Central Committee on formulating the 10-Year Program for the national economy and social development and the Eighth Five-Year Plan" adopted at the Seventh Plenary Session of the 13th CPC Central Committee boiled down the basic theory and practice to 12 principles. These principles are the specific application and development



of the theory of scientific socialism in contemporary China and are a crystallization of the party's and people's collective wisdom.

Based on a correct summation of historical experiences and profound analysis of national conditions, our party has drawn a scientific inference that "our country is still at the initial stage of socialism;" formulated the party's basic line of "taking economic construction as the center, adhering to the four cardinal principles, insisting on reform and opening up" at this stage; and established the target of struggle to build socialism with Chinese characteristics. In short, the course since the Third Plenary Session of the 11th CPC Central Committee is, as it were, the process of the formation and development of a theory of building socialism with Chinese characteristics, as well as the course of gradually improving the socialist road with Chinese characteristics in practice.

The 12 principles for building socialism with Chinese characteristics boiled down at the Seventh Plenary Session of the 13th CPC Central Committee that must be followed form an organically connected entirety, are inseparable and dispensable, and must be completely and correctly implemented in the course of practice. These principles demand that we always take the development of the social productive forces as the basic socialist task, concentrate our attention on modernization construction, exert our efforts to promote the national economy, and unrelentingly enhance the people's material and cultural standards. In view of this, we must adhere to the people's democratic dictatorship, the socialist road, Marxism-Leninism-Mao Zedong Thought, and Communist Party leadership. These principles also demand that we unrelentingly improve the system of the people's congress and of multi-party cooperation and political consultation under Communist Party leadership, constantly consolidate and develop the most extensive patriotic united front, and push forward the building of socialist democracy and the legal system; adhere to and improve the system of regional autonomy of minority nationalities, develop socialist nationality relations of equality, mutual assistance, unity, cooperation, and common prosperity; set up the ownership structure with public ownership as main part and with coexistence of many kinds of economic sectors; integrate the planned economy with market regulation; implement the distribution system with distribution according to work as the main aspect and the other forms of distribution as the supplements and gradually achieve the people's prosperity in common; insist on simultaneously grasping socialist material and spiritual civilization; expedite the accomplishment of the great cause of motherland reunification on the basis of the principle of "one country, two systems"; and adhere to the peaceful diplomatic policy of maintaining independence and keeping the initiative in our own hands. All this must be achieved through reforming and unrelentingly improving socialist economic, political, and other structures, fully arousing the enthusiasm and creativeness of all quarters, and constantly expanding the work of

opening to the outside world. These 12 principles both embody the common characteristics of socialist society and suit realities at the present stage of China, thus having their own specific features. They embody both the general law of socialist development and the special law of our country's socialist development; embrace other countries' previous successful experiences in building socialism and the peculiar experiences in building socialism created by our country in the past several decades.

Socialism with Chinese characteristics is being practiced. Such practice will undergo a fairly long period of historical development and the people's understanding of socialism with Chinese characteristics will also develop in according with the development of such practice. The 12 principles are our present guide to action as well as an important subject for study. Each principle needs continuous and penetrating studying so that it can be supplemented, enriched, and improved. From the establishment of the principles to their full implementation, there are many intermediates and links, and it must be guaranteed that these principles will be implemented and turned into a series of specific measures, methods, and systems. This remains to be continuously explored and summed up from practice and the masses' experiences. So long as we insist on proceeding from realities and creatively resolve the new situation and new problems unrelentingly emerging in the course of practice, the more we take the road of building socialism with Chinese characteristics, the broader it will become.

### **3. The Only Way of Our Country's Economic and Social Development**

When we review the history of the founding of our country over the past 40 years and more, especially since the Third Plenary Session of the 11th CPC Central Committee, the problems and conclusion are very clear: The establishment of the socialist system in our country is inevitable, and insisting on building socialism with Chinese characteristics is the only way of our country's economic and social development.

The establishment of the socialist system in our country has consolidated and developed the results in the new-democratic revolution and safeguarded the state's independence and reunification and nationality solidarity, and China will henceforth take the road of prosperity, power, and all-round progress. Although our economic construction began on a foundation in which everywhere a scene of devastation met the eye, and one hundred and one things were to be done, our country took only a short period of some 40 years to achieve industrialization that a capitalist country usually took 100 to 200 years to achieve. The entire economic outlook has been fundamentally changed, the comprehensive national strength greatly increased, and the people's living standard remarkably enhanced. The people have become the masters of the state and society and enjoyed extensive democracy, freedom, and rights. Over the past 40 years and more, hostile forces abroad have never given up



isolating, blockading, subverting, and infiltrating our country, but under Communist Party leadership, the Chinese people have never yielded. We have relied on the strength of the socialist system to defend our country's security and independence. Our country's international status has been unrelentingly enhanced in the changeable international arena. Practice profoundly shows that only socialism can save China and develop China. What will the scene be if China abandons the socialist road and takes the capitalist road, as preached by the trend of bourgeois liberalization thought? Society will unavoidably be polarized, the laboring people will land themselves again in a predicament of being exploited and oppressed, in poverty and unemployment, and the state will again have a disastrous situation of political chaos, social turbulence, and even uninterrupted civil war, and again be reduced to the status of a dependency of a Western power. We must, therefore, insist on the socialist road in modernization construction. Because of this, the other so-called "way out" will not work.

Of course, we must soberly see that although our socialist system has displayed powerful vitality, it is still very imperfect, and its consolidation, development, and improvement surely take time. After 40-odd years' socialist construction, although we have laid a fairly good material foundation, it is still comparatively weak, and we still have a long way to go, compared with developed countries. Nine hundred million of some 1.1 billion people live in rural areas, and per capita consumption of many natural resources, including arable land, is in the back row of the world; economic and cultural development in all places is uneven. These basic national conditions are our first consideration in building socialism with Chinese characteristics, and it was on the foundation of completely grasping our country's basic national conditions that the party's basic line at the initial stage of socialism was put forward.

Insisting on taking economic construction as the center is the fundamental socialist task, is required by the Marxist basic principle of developing the productive forces, and is determined by our country's specific national conditions. The principal contradiction of our country at the present stage is that between the people's increasing material and cultural needs and backward social production. This contradiction can only be resolved by relying on vigorously developing social productive forces. Only by developing the economy, making all-round social progress, and enhancing the people's living standard can we strengthen the people's faith and confidence in socialism, consolidate and improve the socialist system, give full play to its superiority, and lay down a strong material foundation for socialism to finally defeat capitalism.

The four cardinal principles are the basis of founding our country, and reform and opening up are a way to make our country powerful. They have constituted two basic points of our party's basic line. The implementation of the policy of reform and opening up is our general principle and policy

and the feature of building socialism with Chinese characteristics. Since the Third Plenary Session of the 11th CPC Central Committee, we have set up the ownership structure with public ownership of the means of production as the main part and with coexistence of many kinds of economic sectors. While adhering to the dominant role of the public-owned economy, we give play to the necessary and useful supplementary role of the individual, private economy, Sino-foreign joint and contractual joint ventures, and wholly foreign-owned enterprises, thus promoting the development of the productive forces. Through reforming the economic structure of excessively centralized power and integrating the planned economy with market regulation, and on the foundation of guaranteeing the planned and pro-rata development of the national economy and rational disposition of resources, we consciously apply the law of value, give an impetus to the development of competition, promote the integration of production with demand and scientific and technological progress, and enhance standards of operation and management. In rural areas, we alter the previous unitary collective operation system, implement the system of contract responsibility on a household basis with remuneration linked to output as the main aspect, establish a two-tier operation structure with integrating centralization and decentralization, put this structure on a sound basis, and develop many forms of socialized services, thus greatly arousing peasant enthusiasm for production and making our country's rural economic development step up to a new stage in 10 years. We unrelentingly expand our work of opening to the outside world, vigorously introduce foreign capital and advanced technology, equipment, and management experiences, and carry on economic, technological, and cultural exchanges and cooperation with other countries, thus strengthening our country's vitality to develop the socialist cause. In brief, through reform, opening up, and striving to look for a mechanism and specific forms suitable to the situation of our country to implement the socialist system, we have vigorously promoted economic development and all-round social progress. Our reform is the self-improvement of the socialist system, which fixes the socialist nature of reform. We must, therefore, always adhere to the socialist orientation in the course of reform. If we depart from this orientation, reform will degenerate and result in failure. This is not an inference, and the facts of sharp changes in some socialist countries have fully proven this. Those going in for bourgeois liberalization attempted to make use of the opportunity of our carrying out reform and opening up to negate Communist Party leadership and to overthrow the socialist system; international hostile forces also attempted to utilize the opportunity of our carrying out reform and opening up to step up pursuit of "peaceful evolution" strategy to destroy our socialist reform and system. We do not avoid mentioning such a political aim in the slightest. With the negative education of these domestic and foreign hostile forces, we must adhere to the four cardinal principles and the socialist orientation even more consciously in the course of reform and opening up so the cause of reform and opening up can develop forward still more healthily.

The current world political situation is changeable, and international competition becomes more acute. Whether or not we can realize the second step of the strategic target of modernization construction in the coming 10 years has a direct bearing on the future and destiny of our country's socialist cause, and in this we must have a sense of urgency. So long as we always firmly grasp economic construction—the center—and adhere to the four cardinal principles and the policy of reform and opening up, we certainly can smoothly achieve the great target of quadrupling the gross national product [GNP] and making our comprehensive national strength rise to a new stage. In this way, our country and nation will be in an invincible position, gain the initiative in multipolarized competition, and contend for more brilliant prospects for development in the 21st century.

#### **4. Unite To Struggle Hard Under the Banner of Building Socialism With Chinese Characteristics**

At present, the important task placed in front of our whole party and the people of the whole country is to be closely united under the banner of socialism with Chinese characteristics and to open a way to forge ahead to carry out the 10-Year Program for the national economy and social development of our country and the Eighth Five-Year Plan.

It is necessary to use the theory of building socialism with Chinese characteristics to further unify the thinking and understanding of cadres and the masses. Without a revolutionary theory, there will be no revolutionary movement worthy of the name. Without the theory of socialist construction, there will be no practice of consciously building socialism. Historical experience shows that the implementation of a correct line needs the guidance and repeated practice of a correct theory. A political problem frequently begins with ideological chaos, while ideological chaos often begins with theoretical chaos. We cannot underestimate the effect of bourgeois liberalization that ran rampant several times several years ago and must correct the theoretical problems confused by this erroneous trend of thought. The theory of building socialism with Chinese characteristics is a new development of the theory of scientific socialism under Chinese conditions as well as a guide to our country's socialist modernization construction and reform. Once the theory is mastered by the masses, it will become a powerful material strength. Through universal propaganda and study, the cadres and masses are made to understand and master this theory and fully understand the target, way, method, and specific steps of socialist modernization construction; this is an important condition for us to do all aspects of work well. Trusting the masses, relying on them, doing propaganda work among them, and organizing them is always an inexhaustible source of strength for our construction and reform. Building an ideological theoretical force loyal to Marxism-Leninism-Mao Zedong Thought, striving to strengthen the unity of this force, and trying in every

possible way to develop the potential of this force are also important aspects of our really trusting the masses and relying on them.

To carry out the great task of building socialism with Chinese characteristics, it is essential to correctly unite adhering to the four cardinal principles with adhering to the policy of reform and opening up. As building socialism with Chinese characteristics is creative work, in the course of deepening reform and expanding the work of opening up and on the premise of adhering to the four cardinal principles, we must encourage everyone to emancipate the mind, seek truth from facts, boldly make explorations, and boldly blaze new trails to promote the development of social productive forces and improvement of the socialist system.

To carry out the great task of building socialism with Chinese characteristics, it is also imperative to insist on closely integrating theory with practice. Theory originates from the summation of practical experience and unremittingly develops with the development of practice. If theory is divorced from practice, it will lose its life. We must both oppose the tendency toward immersing ourselves in our work and looking down upon theory, and oppose the tendency toward prating about theory and disregarding practice. The theory of building socialism with Chinese characteristics itself is the product of integrating Marxist theory with our country's practice. Such integration is not completed at one time, but develops and is deepened unremittingly. It is in the historical course of such integration that the characteristics of socialism in China are formed, enriched, and developing. To do well in realizing this integration, we must both profoundly understand and master the basic theory of Marxism and the objective practical situation and its changes. Neither one of these two prerequisites can be dispensed with. We must insist on applying the Marxist standpoint, viewpoint, and method; regularly study problems put forth in practice and find a method to solve the problems. Only by doing so can we make our understanding achieve the "specific historical unity of the subjective and the objective, theory and practice, and knowing and doing; and oppose all erroneous 'Left' and Right ideas that depart from specific history" (*Selected Works of Mao Zedong*, Second Edition, Volume 1, page 296), thus steadily pushing our cause forward.

In a word, building socialism with Chinese characteristics is an arduous project and all comrades of the whole party and the people of all nationalities of the whole country are required to give full play to their intelligence and wisdom, to work with one heart and one mind, and to struggle hard conscientiously and unremittingly. We are convinced that the CPC members and the Chinese people with glorious revolutionary traditions and great creative power certainly can carry out this great task dramatically to make our country even more prosperous, the people still richer and happier, and even greater contributions toward the cause of human progress.

(Article supplied by the Policy Research Center of the CPC Central Committee)

### Call for Greater Efforts in Cadre Building

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in Chinese 14 Jul 91 p 3

[Article by Liu Junlin (0491 0193 2651): "Make Efforts To Strengthen Further Building of Cadres' Ranks"]

[Text] The experience drawn from 70 years of CPC history indicates that the building of a team of cadres who are loyal to Marxism and who can fight valiantly to realize the party's political lines at various periods in history is a decisive condition for victory in the revolution and construction.

In the long periods of revolution and construction, our party has always attached great importance to and has achieved tremendous accomplishments in the stepped-up building of a team of cadres. At the moment, of the 33 million cadres, 10.61 million have university or post-graduate university levels, 24.36 million are engaged in various special and technical professions, 6.46 million occupy high- and middle-level positions, 10 million are females, and 2.07 million belong to ethnic minorities. Within this vast rank of cadres, there are experienced leaders from the older generation; young and robust ones from the middle generation; and a rising, young generation. Facts have shown that this team has proven itself to be the backbone force in China's revolution and construction as well as a reliable guarantee of success in every endeavor.

Today, the socialist modernization and construction of our country has entered a very crucial period. The cadres shoulder extremely important historical responsibilities. We should have a full understanding of the difficult situation and arduous task involved in the building of a team of cadres in the next 10 years, carefully study the new developments and problems which will arise in carrying this venture under the new situation, strive to explore an effective way to step up this building in the new period, and seek to boost the overall quality of the rank of cadres in order to convert it into a politically resolute and professionally competent team which is also correct in its style, capable of meeting all kinds of challenges, and able to assume heavy historical missions. This team will then be able to implement more satisfactorily the party's fundamental line, achieve the glorious objectives of the 10-year program and "Eighth Five-Year Plan," and provide a solid and reliable organizational assurance.

**First of all, it is necessary to concentrate in raising the ideological and political qualities of cadres so that our cadres will always be politically correct.** At the moment, the grim reality confronting all cadres is the inevitable entry of some negative factors and corrupt ideas of capitalism along with the continuing expansion of the opening to the outside world; the intensified political, ideological, and cultural infiltration by foreign hostile forces will definitely exert a subtle influence in the

ideals, convictions, outlooks on life, and moral values of cadres; the growth and presence of bourgeois liberal ideas in the country will also affect and corrupt weak-willed persons; and the problems and setbacks which we encounter as we advance will cause some to lose their confidence and their courage. It should also be noted that with the replacement of old cadres by new ones, the main bulk of the cadres' ranks has now shifted from cadres who began working before the birth of the PRC and who were tested in the blood and fires of the revolutionary struggles to those who started working after the birth of the PRC and who grew up in an environment of peace. A considerable number of them are university and technical school graduates of the 1980's. These young cadres possess a higher level of scientific and cultural knowledge as well as an active mind and can accept new things more easily. However, most of them are also inexperienced, lack practical training, and are not well-versed in the national conditions and history of China as well as in the fine traditions of the party. They still have some weaknesses and shortcomings in terms of ideology and politics. Therefore, if our cadres, especially the young ones, are to remain always politically correct, great attention must be paid to raising their ideological and political qualities so that at all times and under all circumstances they will have firm communist ideals, believe steadfastly in Marxism, and uphold the socialist road and the party's leadership. Party and state cadres, particularly leading cadres, should have a more extensive background in the theories of Marxism; be able to apply the Marxist stand, viewpoint and methodology in observing and resolving problems; and be able to distinguish between political right and wrong and to grasp the political direction. At the same time, all kinds of professional and technical personnel, especially young intellectuals, should overcome a tendency to be apolitical. They should always put the establishment of a correct political direction in the first place, strive to study Marxist theories, upgrade their practical training, and steadfastly foster a proletarian world outlook in order to become a talent for the Four Modernization who has ideals, integrity, and ambition and who is both red and expert.

**Second, it is necessary to vigorously raise the leadership level and professional skills of cadres.** In seeking to realize the second-step strategic objectives, we need to train not only a large number of leaders, but also a large number of management, professional, and technical personnel. While these types of personnel have to be trained through higher and middle level education, most importantly, further training must be given to existing cadres in order to raise their professional skills. First of all, the ability of leading cadres at all levels to direct economic undertakings must be boosted. Leading party and state cadres at all levels should be determined to acquire the knowledge concerning economic work, continue to study the new developments and problems in the reform and opening up and in the development of a socialist commodity economy, and explore ways to establish and perfect an economic structure which integrates socialist



planned economy with market regulation in order to transform themselves into qualified leaders of modern economic construction. Wherever their posts may be and whatever work they may be engaged in, the cadres should be skilled in their own line of work and master the necessary scientific and technological, professional, and legal knowledge concerning their own posts so that they can become truly competent management and professional personnel.

**Next, it is necessary to foster excellent ideological and work styles.** The cadres serve as the link and bridge between the party and party members and between the party and the people. They are the enforcers of the party's guidelines, policies, and principles as well as the direct personification of the party. The styles of the cadres is of great importance to our party's ability to lead its members and people in achieving the second-step strategic objectives. We should vigorously promote the party's fine traditions and styles so that the cadres' ideological and work styles will undergo a visible improvement. It is necessary to foster and maintain a fine image characterized by hard work, dedication, honesty, and self-discipline. Cadres at all levels should study repeatedly and carry out seriously the "CPC Central Committee's Decision on Strengthening Party-People Links," model themselves after Jiao Yuelu, go deep among the people and down into the grass roots in order to observe the people's conditions, share their pains and sorrows, conduct practical work wholeheartedly on their behalf, win their trust, and work for their welfare. It is necessary to have the determination to overcome all kinds of negative and corrupt phenomena resolutely. Cadres at all levels, notably leading cadres, should always make strict demands on themselves, voluntarily accept the supervision of party organizations and the people, resist decadence, and remain untainted. It is necessary to foster the party's fine tradition of hard work and struggle, display a revolutionary vigor of courage to overcome difficulties, and work selflessly and valiantly in one's own post. Facts have shown that by maintaining an excellent state of mind and upholding and fostering the spirit of hard work and struggle, our cadres can create a powerful force to resist any turbulence and produce outstanding achievements.

The endeavor to step up vigorously the building of a cadres' team and boost the overall quality of cadres is a complex and enormous project which requires vast amounts of hard work and relentless efforts. Party committees and organization and personnel departments at all levels should conscientiously consider the building of a team of cadres as important, and, on the basis of an in-depth summation of experiences from the past and present, inherit and foster the party's fine tradition in cadre-related work, clarify further the fundamental guideline which should be followed in stepping up the building of the cadres' team in the next 10 years, and strive to raise the overall quality of the cadres' rank to a new level.

**Number one. Continue to carry out correctly and comprehensively the guideline to make the cadres more revolutionary, younger, more educated and professional.** The building of a rank of cadres who are revolutionary, young, educated and professional forms the basic guideline in the building of a team of cadres in the new period. It is also the embodiment of the party's principle stressing both character and intellect under the new historical conditions. It is an extension and promotion of the Marxist theories and practice concerning the building of a team of cadres. In the past, owing to influences by the policy of being "tough on one hand and flexible on the other," certain biased and absolutist tendencies have appeared in some localities and units while carrying out this guideline. These had not only undermined the initiative of the cadres but also lowered the quality of the cadres. If the quality of the cadres is to be boosted, it is necessary to comprehensively and fully carry out this policy of nurturing cadres who are revolutionary, young, educated, and professional. It is necessary to handle correctly the relationship between being revolutionary and the other three aspects and to insist on putting the former in the first position. Some people maintain that as long as there are no problems politically, this may be considered revolutionary. This is a simplistic understanding of the question. Actually, in the new historical period, being revolutionary has both fixed and concrete connotations, that is, the basic demands on the political and ideological quality of cadres as mentioned above. If being revolutionary is neglected, the building of the ranks of cadres will go astray and even fall onto the evil road. Naturally, if the three other aspects are ignored, being revolutionary in itself will become meaningless, and the cadre reduced to a mediocre, useless, armchair revolutionary.

**Number two. It is necessary to uphold the party's guidelines on respect of knowledge and talents.** The intellectuals form an important part of the rank of cadres. The intellectuals question has always been an issue of utmost importance in the building of a rank of cadres. While addressing the national conference on science in 1978, Comrade Deng Xiaoping proposed and reiterated the scientific thesis that "science and technology is the primary force of production" and that "intellectuals are part of the working class." He also affirmed the party's important guideline on the respect of knowledge and talents. Guided by this policy, our party corrected its past "leftist" mistakes on the intellectual issue, reversed a large number of erroneous, false, and unjust verdicts, and drew up a series of policies and measures concerning the question of intellectuals. These had greatly mobilized the intellectuals' initiative. In today's world, the strengthening of a country's comprehensive might is decided by the development of science and technology and by the people who master it. In the final analysis, international competition is a competition of comprehensive national might where the key lies in the competition in science and technology and in talents. We should firmly foster the viewpoint that "science and technology is the primary force of production" and

promote an atmosphere among cadres and in the entire society which is characterized by the respect for science, study of scientific knowledge, and eagerness to serve the four modernizations. Intellectuals should be actively directed into going deep into the first line of production, contributing to the main battlefields of economic construction, and transforming more scientific and technological findings into productive forces with greater speed. It is necessary to further carry out the policy on intellectuals and improve their working and living conditions gradually. The exemplary deeds of fine intellectuals should be publicized vigorously and the intellectuals, particularly young ones, should be educated and directed onto the path of integration with workers and peasants and integration with practice so that they can continue to remold their world outlook.

**Number three. It is necessary to do a good job in structural readjustment and vigorously step up training of cadres.**

The realization of the grand blueprint of the 10-Year Program and the Eighth Five-Year Plan requires a team of cadres who are of superior quality, diverse skills, and rational assignments. And to build such a team, it is necessary to grasp at the readjustment of the structure and assignment of cadres, on one hand, and on the other, grasp at their training and upgrading. The "system of departmental claim" over cadres should be dissolved in order to facilitate the mobility of cadres and readjust the surpluses and shortages of cadres in the localities and sectors. In this way, the structure and assignment of cadres will become more rational. At the same time, it is necessary to adopt different ways to carry out the training of cadres in a planned and large-scale manner. First, the study of theories by cadres should be well and tightly managed and a study system set up and perfected so as to systematize and regularize the cadres' training system. The channels must be opened up while continuing efforts must be made to stress the cadres' on-the-job professional training. The professional training courses of cadres at all levels and of all types should be geared toward the future with the view of having them learn as much as possible new knowledge, new technologies, and new findings as well as advanced management methods so that they can widen their horizons and expand the scope of their knowledge.

**Fourth. It is necessary to tighten management of cadres, and reform as well as perfect the management system.**

The key to a tight management of the party lies in the tight management of its rank of cadres and its leading team. Historical experience proves that strictness brings out talents and fighting power; lax management and overindulgence will only feed unhealthy practices as well as the birth and proliferation of violations of law and discipline. Hence, party organizations at all levels should tighten up the education and management of cadres, step up internal supervision and the people's supervision over the cadres, and firmly punish violators in order to maintain the purity of the rank of cadres. At the same time, it is necessary to continue to deepen the reform of the cadres system; establish a mechanism which awards

merit and eliminates mediocrity; and set up and perfect a system of recruitment, training, exchanges, promotion, demotion, rotation, abstention, retirement, and social security which adapts to the different characteristics of different cadres so as to systematize and legalize gradually the management of cadres.

After the affirmation of the political line, cadres are the decisive factors. We already have such a huge rank of cadres where lies the hope for the inevitable success of our cause. Party organizations at all levels should show concern and care for this rank and help them grow soundly. We are convinced that through relentless efforts, we will be able to rear a great number of statesmen and organizers who are loyal to Marxism and able to lead the socialist modernization and construction endeavors, a great number of fine management and scientific experts who are dedicated to the four modernizations and are competent in their respective fields, and a team of top-rate cadres who are worthy of our great party and great country.

**Writers 'Pour Out' Grievances to Jiang Zemin**

HK2607000791 Hong Kong KAI FANG in Chinese  
No 55, 15 Jul 91 pp 10-12

[Article by Chien Yen (6190 6056): "Report on Jiang Zemin Meeting With Figures from Literary, Art Circles in Zhongnanhai During Lantern Festival"—first paragraph is KAI FANG introduction]

[Text] When Jiang Zemin met with figures from literary and art circles, the writers took advantage of the chance to pour out their grievances; the ultra-leftists spoiled the fun, but as long as they hang together in unity, they are unlikely to fall into disgrace for the time being. Jiang Zemin knows how things stand and says that problems are many.

On the 15th of the first lunar month, Jiang Zemin, in his capacity as general secretary of the CPC Central Committee, invited some celebrities from literary and art circles in Beijing to spend the Lantern Festival in Zhongnanhai. The news came out through XINHUA the next day, making front-page headlines on all the major newspapers. What was this Lantern Festival gathering really like? There have been no disclosures. Not long ago, I came by a few pieces of information about this meeting in Beijing, which I believe readers will be interested in.

**A Dozen Guys, a Bunch of Guns [a line from one of the model revolutionary Peking operas of the Cultural Revolution era]**

In mid-February, Jiang Zemin wished to arrange a meeting with friends in literary and art circles. It was fixed for the evening of the Lantern Festival when everybody could enjoy Zhongnanhai-produced sweet dumplings. He Jingzhi, vice director of the Central Propaganda Department in charge of literature and art, and Li Zhun [2621 0402] (commonly known as Li Zhun Jr. to distinguish him from another writer Li Zhun),

chief of the Literature and Art Bureau, came together to discuss who should be at the meeting.

A list of "a dozen guys and a bunch of guns" from the core leftist group, with Deng Liqun, He Jingzhi, Xu Weicheng, Wang Renzhi, and Lin Mohan as the key figures, was submitted to the CPC Central Committee general office, which subsequently suggested that more people be invited and the range widened. Consequently, Xia Yan, Zhang Guangnian [1728 0342 1628], Wang Meng, and Chen Huangmei [7115 5435 3531] finally turned up at the festival gathering.

#### **Liu Baiyu's Bomb Drops Dead**

On the evening of the Lantern Festival, the representatives came to Zhongnanhai. The organizer had prepared a wheelchair for Xia Yan, but he did not take it and instead walked into the meeting-place with a stick. When they were all seated, Jiang Zemin came in with Qiao Shi, Song Ping, Li Ruihuan, and so on. The moment he stepped in, Jiang Zemin asked: Has Comrade Xia Yan come? He then went up to Xia Yan and shook hands with him in greeting. After the opening remarks were made, Xia Yan was asked to speak first.

Xia Yan, 91 years old this year, is one of the rare surviving elders of China's literary and art circles. He has been taken to task several times since 1949, yet he is still quick-witted and clear-headed. Especially in his old age, he has been very firm in advocating emancipation of the mind, humanitarianism, and freedom of literary and artistic creativity. He openly supported the students' patriotic acts in the spring of 1989 and signed the petition to the central authorities. Deng Liqun and He Jingzhi hate him but can do nothing about him. Xia Yan started by saying: What I disagree with most is regarding literary and art circles as having no saving graces and as the worst stricken area, and rectifying them whenever a problem arises. I think the achievements that literary and art circles have reached over past decades are tremendous and that people in these circles are good and reliable.

Liu Baiyu was second to speak. He is a chief fighter in He Jingzhi's group, politically sharp and intelligent. He had brought with him a speech script. But as he found something wrong with the atmosphere at that moment, he only made some perfunctory remarks, the main idea of which was adherence to the "double-hundred" principle and the policy that literature and art should serve socialism. This was how the heavy bomb dropped dead.

#### **Yao Xueyin [1202 7185 0995] Would Not Let Liu Zaifu [0491 0375 1788] Go**

The third speaker was Yao Xueyin, a camp follower of Deng Liqun, He Jingzhi, and their ilk during the campaign to clear away spiritual pollution and combat bourgeois liberalization. Because he, living in Block 24, Muxidi Street, Beijing, witnessed the most gory scenes of the 4 June massacre, he once attacked the Liberation Army as fascists and threatened to quit the party. Therefore, when He Jingzhi stepped into power for the second

time, Yao Xueyin, instead of charging forward to the forefront as before, was relatively quiet. But he still belongs to the group with ossified ideology. His speech was nothing but an airing of personal grievances.

He said: I was a successful writer even before liberation. After liberation, I have also been successful, or rather, very successful. However, those who are in charge of the party's work went so far as to tolerate the director of a literary research institute (referring to Liu Zaifu) insulting me and flinging abuse at me for months, leaving me feel totally cold-shouldered.... The dispute between Yao Xueyin and Liu Zaifu was a two-way quarrel. This is an irrefutable fact. In 1987, Rui Xingwen [5360 2622 2429] did not comment on Yao Xueyin's statement. This time Jiang Zemin did not make any comment either. One can wonder how old Mr. Yao felt about it.

#### **Wang Meng, Li Delun [2621 1795 0243] Unhappy About One Movement After Another**

Wang Meng is a member of the CPC Central Committee and a former minister of culture. He occupies the highest position in the party among writers and artists. He was the only person present at the meeting who was currently under public criticism. His statement included nine points, the main idea of which was his hope that the Central Committee could give scientific and precise definitions to the concept of bourgeois liberalization and that of spiritual pollution, otherwise deviations to the left and right would easily take place; and that unequivocal regulations should be made regarding methods for combating liberalization and spiritual pollution.

Li Delun is China's famous symphony conductor. He studied in the Soviet Union and has always been the head conductor of the Central Orchestra. He said: In order to get ready for tonight's meeting, I looked through all the minutes of these kind of meetings that I had kept, only to discover that either he is criticized today or you will be tomorrow. This time he criticizes you and next time you criticize him. Sometimes both are criticized together and before long both are rehabilitated together and become our leaders. One movement after another, how much time are we left with to spend on our professions?

Zhang Guangnian, who wrote the words of "Huang He Chorus" under the pseudonym Guang Weiran, is an honest and kindly senior writer with quite some influence in China. He made his point clear from the very beginning, saying: "Interpersonal relationships in literary and art circles are strained enough these days. I think relaxation means the relaxation of interpersonal relationships before anything else. We should not denounce this person today and criticize that person tomorrow, putting everybody on tenterhooks. What good is it letting this go on? How can we produce works? Good works come with peace of mind, after all."



**Wei Wei [7614 1550] Complains About Inadequate Efforts Against Bourgeois Liberalization**

When Guan Hua [4619 2901] spoke, all those present were struck dumb. He said: The present leaders of the Central Propaganda Department and Ministry of Culture are the best ever. I had heard that Comrade He Jingzhi would be replaced. In order to carry the struggle against bourgeois liberalization through to the end, we must, under no circumstances, replace Comrade He Jingzhi with someone else....

The next speaker was Wei Wei. His talk left the audience even more baffled. Wei Wei is an army writer. No one knows what he has written except his prose "Who Are the Most Lovable People." He started by saying: The struggles against bourgeois liberalization and spiritual pollution have, over the years, risen and fallen three times, and none of them have been able to make it to the end.... At this point, everybody gasped with shock, because this remark had violated too many taboos. Now is the crucial period of the third-round campaign against bourgeois liberalization, but who, and when, did someone announce that it is going to "fall?" What really matters is that when the first-round campaign to eliminate spiritual pollution came to a premature end, Hu Yaobang was thrown out of office as chief culprit; the second-round campaign against bourgeois liberalization stopped halfway, and Zhao Ziyang stepped down. Does the announcement that the third-round campaign has fallen through mean that the third-term general secretary after the cultural revolution should take the responsibility and step down? This remark was not only belligerent but also displayed the clear purpose of checking Jiang Zemin directly.

**Chen Rong Fears Minefield in Kuwait**

The most brilliant speech was obviously the one given by Chen Rong, the woman writer who wrote the famous novelette *At Middle Age*. When Wang Meng was in charge of work in the Writers' Association and Ministry of Culture, Chen Rong lost the Writers' Association Beijing council election. That very evening, He Jingzhi's wife Ke Yan [2688 1484] (whose original name is Feng Kai [7458 0418]) phoned her up to express his sympathy. Ke Yan also said: I thought you were one of them, but now it seems you are not. The reason they picked Chen Rong to attend this meeting was that they wished that she would let her grievances out against Wang Meng. Chen Rong said: I very much endorse all of the Central Committee's policies toward literature and art. But while combating spiritual pollution we should, in the meantime, combat another kind of pollution, that is, noise pollution. What is noise pollution? Let me give you an example. When the party Central Committee called for efforts to eliminate pornography, the noise said elimination of pornography could not replace the struggle against bourgeois liberalization. Another example is that when the party Central Committee appealed for the flourishing of literature and art, the noise said that without rectification the flourishing of literature and art

would be impossible. Now we do not dare to write anything. Writing is like walking into a minefield in Kuwait and one does not know when one could step on a mine. Perhaps this full stop could touch this mine and that comma could set off that mine. There are mines everywhere, underground, in the skies, and in the water. Therefore, we are better off not writing anything at all. I hope the Central Propaganda Department will not function only as a sentry, maintaining top vigilance, discovering enemy activities, and inspecting documents every day. It should become an engineer, removing mines for writers. Only in this way can literature and art flourish....

**Dong Xuewen [5516 1331 2429], One of Three Leftist Ruffians in Cultural Circles**

After Peking Opera actress Liu Changyu [0491 7022 3842] spoke, there came an awkward silence briefly, whereupon He Jingzhi proposed: Shall we have our young theorist Comrade Dong Xuewen say something, so we can see what is on our young comrade's mind?

While looking through the name list, Jiang Zemin asked: Who is Comrade Dong Xuewen? Ah, here we are. Dong Xuewen, aged 44. He is not too young, eh? All right, let's hear your opinion.

Newly appointed, Dong Xuewen is the youngest professor at Beijing University. He has written many theoretical articles on literature and art and is in the same group as Yan Zhaozhu [0917 2507 2691] and He Xin of the Chinese Academy of Social Sciences. They are the ultra-left theorists of cultural circles and are dubbed by their peers as the "shameless trio."

Dong Xuewen said: I have prepared for today's speech for many days and have brought the script with me. But after listening to speeches from other comrades, I find my script no longer fitting. I have to change my tone. He pushed aside a thick pile of speech text and started: I think....

At this moment, Jiang Zemin turned around to someone in charge of Zhongnanhai and said: Shall we start serving the sweet dumplings? That person made a gesture and the four doors sprang open. The waitresses, dressed in cheongsams and wearing light makeup, filed in and quickly served each person with a bowl of sweet dumplings. The guests were told that these sweet dumplings were made in Zhongnanhai, whereupon favorable comments on the filling and taste rose in a hum. Dong Xuewen's words were thus not clearly audible any more.

**Xia Yan Gives Earnest Advice to Jiang Zemin**

At this moment, Jiang Zemin said: I meant to listen to more opinions, but we are running short of time. And also I would like to say a bit more, so I have to cut in. I hope you understand. Then he talked for nearly two hours. The most important part was his emphasis on the clear political definition of what is called bourgeois liberalization. Strictly speaking, the definition includes two points: One, is clear opposition to the party leadership; the other is clear opposition to following the

socialist road. All the rest is academic or is the understanding of problems which should not be exaggerated as bourgeois liberalization.

After the meeting was over, Jiang Zemin asked Xia Yan to hang on a minute and wait until staff members had moved his car to the door of the meeting-place. Yang Baibing came over to Xia Yan and introduced himself: My name is Yang Baibing. Maybe you do not know me.... Xia Yan said: Of course I do. I often see your name in the paper. Yang Baibing asked Xia Yan to take care in a very polite way. **Xia Yan said to Jiang Zemin, who was standing by his side: There are many problems in literary and art circles. If continue to be left unresolved, I am afraid there could be new turmoil. Jiang Zemin replied: It is not that I do not know the situation. I do know something about it. You can stop worrying.**

#### He Jingzhi Says, Black Clouds Are Billowing

The next morning, He Jingzhi summoned his camp followers and brain trusters to a meeting in his home. At the meeting, they all flared up. The insult that they found most difficult to see from Chen Rong. Therefore they hurled abuse on Chen Rong, yet there was nothing they could do.

In the afternoon, He Jingzhi attended and addressed the general session of the national theatrical creation conference held in the Qianmen Hotel. He started by saying: I was not prepared to come, still less make a speech. Looking at how things stand now, what can I say? But Vice Minister Chen Benchang insisted that I come and said that I should say something just because of the situation. All right, here I am. Black clouds are billowing over the shaking city, but we should stand up and struggle against them.... Almost none of those summoned knew nothing about the dispute on the Lantern Festival the night before, and therefore they were all very much baffled. They only felt that Minister He Jingzhi was exasperated today and that there was something wrong in the air. But none of them knew the reason.

XINHUA News Agency excerpted Jiang Zemin's speech according to their needs and did not include at all his definition of bourgeois liberalization. Therefore, the CPC Central Committee general office decided to prepare a version of his speech independently and distribute it as a document to lower levels. The central Propaganda Department and Ministry of Culture failed to convey what had happened at this meeting, but the news quickly spread in Shanghai the next day.

#### Ultra-Left Clique Hanging Closely Together

What does the Lantern Festival meeting mean, after all? It is hard to come to a conclusion at the moment, but one can still see an inkling of the matter. Though the small clique formed by Hu Qiaomu, Deng Liqun, He Jingzhi, and so on has only a dozen guys and a bunch of guns, they are the firmest combination in the party apart from the "Gang of Four." They have shown considerable tenacity through several trials of strength with many

reformers. They are also quite solid inwardly and tend to use offense as a means of defense. Take this incident for example. Though they clearly felt that the situation would probably turn to their disadvantage, they nominated He Yan and another leftist writer Mala Qinfu [3854 2139 3084 1133] as members of the Chinese People's Political Consultative Conference [CPPCC] in the name of the All-China League of Writers and Artists on the eve of the CPPCC national committee session.

At present, the CPC has no miraculous remedy to reverse its declining tendency and can only resort to capitalistic measures in the economy, and controlling ideological and art circles with an even more doctrinaire attitude. Therefore, the power and influence of this small group will not be gone within a short period.

The 14th CPC Congress will be convened next year to elect a new central committee. The inevitable questions will be over the stepping down of seniors and candidature for premier. One can be sure that all the stalemated struggles, both open and veiled, will come to the surface in the second half of the year.

This time, Jiang Zemin all of a sudden expressed to the literary and art circles his differences with, and distance from, the ultra-left clique in a special way. The meaning is obvious and profound.

#### Dissident Calls for Talk Between CPC, Exiles

HK2907013891 Hong Kong SOUTH CHINA  
MORNING POST (SATURDAY REVIEW) in English  
27 Jul 91 p 5

[By Willy Wo-lap Lam]

[Text] A prominent dissident intellectual has called on Beijing and the exiled dissident community to set aside the "June 4 complex" and to hold talks on how to make China more democratic and prosperous.

Yang Lujun, an economist who was jailed for one year for alleged involvement in the 1989 protests, recently immigrated to Hong Kong through legal channels.

Mr Yang, a former researcher at the Institute of International Economics at the Shanghai Branch of the Chinese Academy of Social Sciences, has called for immediate dialogue between the Chinese Communist Party (CCP) leadership and the exiled dissidents.

The author of the acclaimed book *On Reaganomics* (1988) also predicted that in spite of outward difficulties, the Communist Party administration would be able to maintain its hold on the country at least in the foreseeable future.

At 30, Mr Yang was one of the youngest social scientists in China to have caught the eye of the liberal faction before it fell from power after the June 4 crisis.

On July 1, 1989, he was arrested in his native Shanghai as a "major counter-revolutionary". This is in spite of

the fact that his "participation" in the democracy crusade had been limited to putting his signature to a manifesto calling for political reform.

After detaining him for a year, local authorities decided "not to proceed with investigations" and released him.

Mr Yang said he had suffered tremendously from the experience: there were family problems and his career as an economist and writer was disrupted.

"However, I won't nurse any grudge if somehow the 1989 experience could be of benefit to the future of the country," he told the SOUTH CHINA MORNING POST in the first interview he has given in Hong Kong.

Mr Yang called on the CCP to immediately start a dialogue with the exiled intellectuals as well as elements in Hong Kong and the overseas community who are interested in a free and prosperous China.

"The CCP has offered to hold talks with its long-time enemy, the Kuomintang", he said. "Why not talk to the Federation for a Democratic China and other dissidents in exile?"

"Beijing knows very well that, at least before June 4, people it has labelled 'counter-revolutionaries' were 'within-the-system reformists' who wanted to improve the party, not overthrow it.

"It is time both sides sat together to discuss national affairs, specially ways to make the country democratic and prosperous."

Mr Yang said he believed the official verdict on the democracy movement—a "counter-revolutionary rebellion—will be overturned.

"Leaving aside political arguments, it is wrong from the point of view of mere humanitarianism to use tanks and firearms against the masses," he said.

"June 4 shows the urgency for China to learn to use peaceful and rational means to settle differences among disparate political and economic groups."

However, for the time being, Mr Yang said both sides to the argument should set aside the question and "let history make its judgement on June 4".

Mr Yang said while dissidents had predicted soon after June 4 that the CCP administration would crumble, there were indications that, in a sense, Beijing was even more stable than before.

He said General Secretary Jiang Zemin, who had been consistently underrated by overseas commentators, could probably steady the ship of state when patriarch Mr Deng Xiaoping is out of the picture.

The economist said that historically, the party had closed ranks when faced with a crisis. Moreover, in spite of

efforts by the ultra-leftists to roll back reforms, economic policies had essentially remained what they were before the crackdown.

Equally important, the CCP had been able to at least temporarily satisfy interest groupings across the political spectrum.

"While individual members of the original liberal camp have been sidelined, there are many reformist cadres and intellectuals who are willing to work for the new leadership," he said.

"Moreover, because the party has since June 4 inducted more workers and farmers into the ranks of cadres, these two sectors are satisfied."

While the party could maintain stability well into the future, Mr Yang warned this did not mean it would be able to achieve significant development or prosperity in the economy, politics, and culture.

"In terms of many yardsticks of civilisation, China is more and more in danger of losing what scholars call *qiuzhi*, or global ranking," he said.

Mr Yang also has some frank opinions on China's intellectuals, including the June 4 activists.

"Chinese intellectuals have a split personality," he said, basing his judgement on several years of active interaction with social scientists in Beijing and Shanghai.

"On the one hand, they curse the powers-that-be. On the other, they are very eager to serve the authorities, whoever they may be.

"Right after June 4, many liberals were anxious that their policy papers be read by the new leadership.

"At the same time, intellectuals sidelined after the Tiananmen Square crisis have secretly blamed the student demonstrators for the loss of their privileged positions in the previous administration."

Mr Yang also criticised those dissidents who thought their participation in the 1989 democracy movement had vested them with a unique political capital. "There are no heroes of June 4," he said.

The economist, who is now doing research in Hong Kong, pointed out the only way in which the sacrifices made during the June 4 crackdown could assume some meaning was for China's leadership and intelligentsia to wake up to reality.

"And the first step in that direction is to start talking," he said.



## Economic & Agricultural

### Article Urges Implementing In-Depth Reform

HK2907015191 Beijing JINGJI CANKAO BAO  
in Chinese 9 Jul 91 p 1

[Article by Wang Shiyuan (3769 0099 0337) of the State Commission for Restructuring the Economy: "Emancipate Our Minds, Raise Morale, Carry Out Reform in Depth"]

[Text] The two documents adopted by the Seventh Plenary Session of the 13th Central Committee and the Fourth Session of the Seventh National People's Congress (NPC) concerning the 10-year program for national economic and social development, and the program for the Eighth Five-Year Plan set forth the arduous tasks for initially establishing a new structure for a socialist planned economy and the economic operational mechanism linking the planned economy to market regulation. Therefore, it is necessary to lose no time to deepen and increase the weight of reform.

Presently the tasks for in-depth reform are:

First, settling deep contradictions in the economic life that must be resolved, which are: irrational economic structure, poor economic results, and distorted prices. In addition, some basic economic relationships have not yet been ironed out, for example, rational relationships between the state and enterprises, and between the central authorities and localities are yet to be standardized and legalized. These issues will not be settled in such simple ways as streamlining government, decentralization, reducing taxes, and conceding profits.

Second, to deepen reform, it is necessary to further readjust the interest setup. Through 12 years of reform and opening, the interest setup has gone through great changes, the plural interest subjects coexist with diversified economic factors, with the economic development in some places moving rapidly. All this falls in line with China's actual conditions characterized by a rather low productive force level at the present stage and an imbalance in economic development. However, the new interest setup shaped since reform has not been rational enough, there are calls for further readjustment so that it may fall in line with the new structure of the planned commodity economy, and various interest subjects may respond quickly to market changes, meet the requirements of the state's industrial policy, and effectively accept the state's macroscopic regulation and control. However, because interest is rigid, readjusting the interest setup shaped over the past 12 years cannot but be arduous and complicated.

And third, the main topic of deepening reform is to change the economic operational mechanism—to establish an economic operational mechanism characterized by a combination of planned economy and market regulation. Microscopically, it is imperative to shape a competition mechanism characterized by survival of the

fittest, observe the laws of value and supply-and-demand that govern market relationships; macroscopically, it is necessary to set up a regulation and control system characterized by linking direct with indirect regulation and control, with indirect control in the main, and dual-tier control at central and provincial levels, with central regulation and control in the main. All this requires enterprises to take management initiative in their own hands and to assume sole responsibility for profits or losses, a complete and perfect market system, and other relevant important broad-ranging reform. This is a systematic engineering. To accomplish the expected goal of reform with sound results, higher requirements on harmony, broad-ranging comprehensiveness of reform are called for.

### Further Emancipate Minds, Augment the Sense of Reform

To realize the goal of reform in the 1990's, first it is necessary to further emancipate minds and be bold in exploration and practice. The line, principles, and policies since the Third Plenary Session of the 11th Central Committee were proposed on the basis of emancipating minds. Practice is evidence that all departments, localities, and enterprises that have emancipated their minds are capable of scoring marked accomplishments in developing a socialist commodity economy, elevating productive forces, and improving the people's living standards. Their experiences were all truth-seeking, with their minds emancipated by linking the central principle and policy on reform and opening to actual conditions in their own localities or enterprises, believing that blind worship of high authority and dogma should be eschewed. It is practice that counts, while being good at implementing various central principles and policies by suiting measures to local conditions and conducting practice in reform with originality.

To further emancipate minds, it is imperative to augment the sense of reform, be bold at breaking with traditional concepts, and make new theoretical breakthroughs. Theories of socialist planned economy, the initial stage of socialism, and practice being the sole criterion for testing truth and for production established by our party since the Third Plenary Session of the 11th Central Committee have become the theoretical basis for guiding practice in reform. To establish a new structure during the new historical stage, it is imperative to exert efforts to do a good job in resolving the linking of the planned economy to market regulation. A new breakthrough was made on this issue most recently. Many comrades have come to a common understanding in the following aspects: First, planning and the market do not differentiate between socialism and capitalism, but are two different means and ways to allocate resources. Second, the foundation for the combination of planning and the market is the commodity economy, and points of juncture are the laws of value and supply and demand. Third, both planning and the market cover the whole society, and interpenetrate each other. Fourth, in the combination of planning and market, the major aspect of

their contradiction lies in planning. And fifth, the planning-and-market combination is dynamic; but its techniques, scope, and extent vary in different phases of economic development, localities, trades, and enterprises, and the realization of a comprehensive and perfect combination must go through a historical process.

Here, I would like to stress two points: First, practice in the contemporary world shows that there is a market in socialism whereas there is planning in capitalism. The planning-and-market combination is the inherent and essential requirement of socialized mass production and commodity economy development. Our aim is to combine the advantages of both the planned economy and market regulation, while giving full play to the advantages of public ownership and market regulation. To achieve this aim, it is imperative for us to break thoroughly with the traditional concept that the market is inherent in capitalism while rejecting the role of market mechanism. Basically, reform over the past 12 years has precisely transformed the traditional planned economic structure marked by high centralization, while continuously expanding the scope of market regulation; consequently, the economy is capable of finer tuning and control while acquiring considerable vitality. Practice is evidence that the combination of the planned economy and market regulation is entirely feasible, and an inevitable road to building socialism with Chinese characteristics as well as the theme of in-depth reform in the 1990's. The developing trend of planning-and-market combination is the continuous and appropriate cutback in the scope and proportion of mandatory plans, while expanding plans of guidance and augmenting the role of market regulation. And second, in the combination of the planned economy and market regulation, the major aspect of their contradictions lies in planning. The greater the extent and rigidity of planning, the less invigorating the market, and a poorer job in control of the macroeconomy. To genuinely give play to macrocontrol of planning, its role in the following aspects must be given play, namely, correctly formulating planning, goals, and industrial policy for, and providing prospects and guidance to, national economic development. The macroeconomic plan should face the market and enterprises, tuning and control of planning should serve the market, while the market should also readjust, complete, and perfect itself. The two aspects complement and interpenetrate each other. Thus an inherent and organic planning-and-market combination is accomplished.

#### **Forming a Whole Range To Push Forward Reform While Effecting Its Implementation in Phases**

A new structure and economic operational mechanism should be initially established in the next 10 years. In the approach and arrangements for in-depth reform, it is imperative to pay attention to forming a whole range in pushing forward reform, while effecting its whole-ranging implementation in phases under the general goal's guidance.

To conduct reform in a systematic and broad-ranging way, it is primarily necessary to formulate intermediate and long-term plans for reform. Through efforts over the past year or so, the State Restructuring of the Economic System Commission has formulated a "Program of Ten-Year Planning and the Eighth Five-Year Plan for Restructuring the Economy" by conducting several rounds of soliciting opinions from various aspects extensively from top to grass roots. Many provinces, cities, and cities with single listings in the national plan have successively formulated their own programs for planning. This provides a sound condition for carrying out systematic and broad-ranging reform. In addition to a general goal for reform, it is necessary to formulate a plan for its implementation in phases. There may be different foci in various phases, but they should dovetail and form a whole range with each other. We have gained rich experiences in 12 years of reform, which will serve as a sound foundation to accomplish that goal.

The method and arrangements for reform should be made more scientific; experiments in various comprehensive and single-item reforms should be earnestly conducted. Any important reform measure to be presented should first undergo experiment on a small scale, before it is spread with experiences gained. Besides, we should pay attention to and strengthen the standardization of various reform measures and building of institutionalization. Some mature and effective reform measures which have been proved through practice should promptly be established in legal form. In case of immature legislative conditions, they should be established in standardized systems, rules, and regulations to insure the scientific nature, authority, continuity, and standardization of those reformative measures.

The mass line has always been a magic weapon for our party to overcome the enemy and win victory. In setting up a new structure and operational mechanism, we must be good at propagating, mobilizing, and organizing the masses, so that the masses may understand, support, and plunge into the great undertakings of reform.

#### **Report on 'Encouraging New Changes' in Economy**

HK2907100591 Beijing XINHUA Domestic Service  
in Chinese 2012 GMT 25 Jul 91

[Report by Xu Yaozhong (1776 5069 0022): "Encouraging New Changes Emerge in China's Economy"—XINHUA headline]

[Text] Beijing, 26 Jul (XINHUA)—The implementation of the policy of rectifying the economic order, improving the economic environment, and deepening reform has brought about a change for the better in China's economy. The first half of this year saw some inspiring new changes.

An example is the rise in demand for consumption, with some "reduction" in overstocked goods. The "weak" Chinese market began to show signs of activity early this year, because the state had done a great deal in alleviating the

contradictions between aggregate demand and supply. At the same time, the state also appropriately adjusted the control scale, thus bringing about an increase in the demand for consumption. This finds expression in the following three aspects: 1) There was an increase in investments in fixed assets; in particular, enterprises under ownership by the whole people registered an increase of over 20 percent in investments. 2) The retail sales volume of social products increased by more than 12 percent. 3) Foreign trade saw a continuous, rapid increase. The increase in exports stood at 18.5 percent. Following the speedy recovery of demand and due to the efforts made by staff members and workers in commercial and material supply departments, overstocked goods in these departments were reduced by 45 billion yuan compared with the beginning of this year, contributing to the normal functioning of the economy. But we should also understand that many commodities are still overstocked and there is still a long way to go in "clearing" these commodities. In addition, many industrial products are still overstocked. Statistics show that 8 billion-yuan worth of commodities were overstocked in enterprises during the first half of this year as a result of blind production. Therefore, a priority task for industrial enterprises is to prevent the overstocking of new products.

Another example is the intensification of the leading role of state-owned enterprises in China's economic development. After a prolonged depression and low-rate increase, the state took measures to enliven state-owned enterprises and improve their external environment. Many enterprises began to look inwardly and use many methods to tap their potential, thus bringing vitality to their production. According to statistics, the gross output value of industrial enterprises under ownership by the whole people increased almost 9 percent in the first half of this year. This was rare in previous years. As a result, the proportion of the added output value of industrial enterprises under ownership by the whole people to the added output value of all industrial enterprises rose by 31 percent over the same period of last year. In the meantime, the retail sales of commercial enterprises under ownership by the whole people rose by 14 percent, and the proportion of their retail sales to the retail sales of all commercial enterprises also rose. However, large- and medium-sized state-owned enterprises still lack vitality and stamina; this remains far from being improved. Many of them still find the going tough. This not only affects the development of state financial resources, but also hampers the public-owned socialist economy from displaying its strong points. The invigoration of large- and medium-sized state-owned enterprises still remains a major issue the higher authorities and lower levels should pay attention to.

Another conspicuous change in China's economic recovery is its overall development and balanced growth. In the first half of this year, the state did a great deal in removing economic overheating, stopping inflation, controlling aggregate demand and supply, and ensuring stable growth in the three fields of production, construction, and circulation. Growth rates did not vary much,

the lowest being 12.8 percent and the highest 14 percent. In the first half of this year, recovery was noticed in industrial production and markets in 30 provinces, autonomous regions, and municipalities directly under the central authorities, thereby forming a striking contrast to decreases in seven regions' industrial production and drops in 18 regions' market sales, both appearing in the same period of last year. But we should take precautions against "overheating" in China's economic development. Town and township enterprises as well as some regions' processing industrial enterprises registered excessive growth rates in the first half of this year. This was even more so with township industrial enterprises, which saw a 30 percent growth rate. This situation is worthy of attention, because these township industrial enterprises' rested on loans and lacked a solid foundation. In addition, there were signs of new projects being carried out without due purpose. If textile, beer, cigarette, and recorder factories can bring into play 60 percent of their production capacity, the products they produce will meet market demands. But such factories are being built in some localities without definite purposes. This duplicate construction will cause losses to the country's economy if it is allowed to continue.

Facts in the first half of this year suggest that although China's economy developed in a healthy and normal manner, we should not lose sight of some unstable factors in economic life. Some experts pointed out that those in charge of economic work should take precautions against danger in time of peace, make long-term arrangements, and guide the national economy in a such way that it will enter an orbit of sustained, steady, and coordinated development.

### Commentary Views Local Economic Issues

HK1907122491 Beijing JINGJI RIBAO in Chinese  
29 Jun 91 p 2

["Weekend Commentary" by Yuan Baohua: "Several Questions on Local Economic Work Worthy of Attention"]

[Text] Recently, I went to Henan Province's Nanyang Prefecture, Pingdingshan City, and Anyang City. There, I investigated issues concerning the invigoration of enterprises and local economic development. In my opinion, attention should be paid to problems in the following aspects of our current local economic work:

#### First, Issues Concerning Invigoration of Large Enterprises

Large enterprises are the backbone of the national economy, and a major source of national financial income. The central authorities have attached great importance to the invigoration of large- and medium-sized enterprises. However, my investigations show that some large enterprises are presently in a difficult position. Among problems currently confronting enterprises, some are left over from history, and others are caused by the present irrational structure. Take the case of the Wuyan Iron and Steel Plant. The plant is one of China's 10 major special steel plants, and the state invested 800



million yuan in its first phase of construction. Due to some specific historical reasons, the plant is currently plagued by a long construction period and many problems piled up over the years. Although it was put into production long ago, the plant has always lacked basically stable working conditions, and is currently faced with the following problems which need urgent solutions: 1) Unguaranteed supplies of burden. Though the state has planned to supply 170,000 tonnes of burden this year, only 15,000 tonnes had actually been supplied by the end of last April. It is estimated that only 80,000 to 100,000 tonnes can be supplied during the entire year. Insufficient supply of burden may cause this enterprise, which can make profits totaling nearly 100 million yuan under normal conditions, to rank itself among the loss-makers. 2) Insufficient supplies of water and electricity. The reservoir originally designed to provide cooling water was damaged by floods, and the issue of reconstruction remains unsettled because it involves two ministries and one province. 3) Debt chains have increased steadily. At the beginning of 1990, the plant had external debts of only less than 100 million yuan, but now its external debts exceed 200 million yuan. 4) The task of loan repayment is arduous. During the Eighth Five-Year Plan period, the plant needs to repay \$50 million in loans at an interest rate of 9 percent. However, this enterprise's rate of profits and taxes on funds is lower than 9 percent. Therefore, loan repayment is a heavy burden on the enterprise, which will also exert an adverse impact on its second phase of construction. 5) The small amount of retained profits will hinder the enterprise from attaining further development. At present, the enterprise can only retain less than 25 percent of its total profits, of which the percentage put into production development is even lower. As a result, the enterprise evidently lacks the capacity for self-transformation and development. Embodying to a certain extent the difficulties confronting all large- and medium-sized enterprises, the difficulties facing the Wuyang Iron and Steel Plant are a comprehensive reflection of deep-level problems in enterprises in terms of management and macroeconomic control and regulation.

In order to invigorate state-owned large- and medium-sized enterprises, the party Central Committee and the State Council have formulated a series of policies and measures. According to the general opinions of enterprises, however, these policies and measures have failed to be well implemented in enterprises, which is manifested in the following aspects: 1) Departments responsible for enterprise work and administrative companies have taken back much autonomy that had been granted to enterprises by the state in previous years. 2) The obstacles placed by banks across provinces and regions in breaking debt chains have made the banks lose their leading role in regulating capital. 3) Enterprises are plagued by overstocking of products. In order to relieve themselves of the interest burden, commercial and material departments refuse to purchase products that should be purchased, thus adding to the burden of productive enterprises. The issue of how commercial and material

departments give play to their role as a main channel in commodity and material circulation needs thorough study. 4) The policies adopted by local party committees and governments fail to keep abreast of the "Enterprise Law." Various powers granted to factory directors by the "Enterprise Law" have not been put into effect, and departments of various sorts have carried out too much administrative interference in the affairs of enterprises. A rough estimate by the Yubei Cotton Mill shows that if the factory recruits staff according to the requirements of all sides, nonproductive personnel will exceed the quota by 30 percent. 5) Enterprises are plagued by undue amounts of apportioned expenses. For example, the Pingdingshan High-Pressure Switch Plant has joined more than 40 associations and academies of various kinds. In another case, according to a survey conducted by the Liangwa Mining Bureau in Pingdingshan City, during the first quarter of this year various units have demanded 12 kinds of fees totaling 630,000 yuan from the bureau.

#### **Second, Issues Concerning Relations Between Enterprises Directly Under the Central Authorities and Local Authorities**

There exist many problems and conflicts in the relations between local authorities and large enterprises, especially those directly under the central and provincial authorities. Some of these problems are quite serious. Take the case of a number of enterprises engaged in defense production in Nanzhao County. Relations between these defense industrial enterprises and local authorities used to be antagonistic and tense: Local authorities held that "defense industrial enterprises lodged complaints against local authorities despite the fact that they had to rely on the latter for their daily necessities"; while defense industrial enterprises blamed local authorities for attempting to achieve development through "farming, forestry, animal husbandry, sideline production, and extortion of money under false pretenses." Under the difficult situation of a sluggish market, however, remarkable improvement has been shown in relations between the two. These days, the local authorities have taken the initiative to help defense industrial enterprises overcome their difficulties, while the latter also make full allowances for the former's difficulties, both making concerted efforts in building two civilizations.

Problems concerning relations between large enterprises and local authorities are not temporary but very common in many places. Judging from the surface, these problems only reflect problems existing in the relations of interest distribution between the central and local authorities; however, they are virtually problems concerning relations between workers and peasants, to which we should attach great importance and try by every means to find solutions.

### **Third, the Problem of "Regarding Large Enterprises as Superior to Small Ones" in the Guiding Ideology of Local Economic Work**

Facing relatively backward realities, some local leaders in charge of economic work are overanxious for quick results, fight for investment, start new projects, step up the speed of construction, and give priority only to large projects. They fail to proceed from reality, act according to their own capability, and have an inadequate understanding of the political significance of running township and town enterprises well in the consolidation of grass-roots political power in rural areas. It is an important role of township and town enterprises to recruit surplus labor in rural areas; expedite the development of the local economy; give support to agricultural production; raise the income and living standard of the masses; narrow the gap between workers and peasants; and form close ties between the masses of the people and local political powers. The practice of reform and opening up in the past 12 years has attested to the truth: Township and town enterprises have great vitality, and they are the only road we should follow in promoting the rural economy. Backward areas should regard the development of township and town enterprises as an opportunity to change their backward aspect. The use of qualified personnel is a crucial point in developing township and town enterprises. I once asked Lu Guanqiu [7627 0385 3808] how he managed to invigorate enterprises. Lu said: The township government will not interfere in the affairs of enterprises so long as they can submit to the township government 20 percent of their profits. Moreover, the township government has given qualified personnel a free hand in their work without too much interference.

### **Fourth, the Impact Caused by Governmental Restructuring on Economic Development**

The governmental restructuring carried out by the State Council aims at changing the functions and roles of governmental departments, carrying out macroeconomic control and regulation in a sound way, and expanding opening up in the microeconomic field. Judging from reality, it is an arduous job to change the functions and roles of governmental departments. As long as governmental departments responsible for enterprise work have control over money, materials, and projects, a change in their functions and roles will be out of the question. In addition, administrative companies are also trying every means to take back autonomy that has been granted to enterprises, thus putting more fetters on enterprises than governmental departments. The failure of the current decentralized system of investment in concentrating the limited amount of money and wealth within a locality is also a factor leading to long construction periods and low investment efficiency. It is, therefore, an issue we should not overlook. Due to barriers placed between higher and lower levels and between different departments and regions, it is difficult to effectively implement the state's overall macroeconomic plans. In carrying out structural reform, though emphasis has been repeatedly laid on the simplification of administrative structure, the number of administrative organs is actually on the

rise. For example, the number of organs in a county government has increased from 50 to 70. In the wake of the state's reform of the banking system, various specialized banks have set up their banking networks at the county level, building their own houses and purchasing their own vehicles. Leaders of relevant counties have to take great pains to coordinate relations between various specialized banks. Comrades working in counties believe that at the county level, which is economically backward, specialized banks need not set up so many networks. Instead, they can carry out their daily business in a general office under the unified control of local branches of the People's Bank of China.

### **Fifth, the Issue of Launching a Campaign for Quality, Variety, and Efficiency Year**

In accordance with the overall planning of the State Council, a campaign for quality, variety, and efficiency year has been carried out throughout the country. Judging from the situation of areas and enterprises where I conducted my investigations, this campaign initiated by the State Council has met a vigorous response from departments in charge of economic work at all levels as well as various enterprises. In order to achieve down-to-earth results, the crucial point is to avoid doing things as a mere formality. It is imperative to provide guidance to different types of areas, establish targets according to actual ability, work out detailed measures, and carry out repeated inspections and appraisals.

We have learned from experience, lessons, and reality during the past several decades, especially over the past 12 years of reform, that in order to thoroughly solve the aforementioned problems, it is necessary to make urgent efforts in the following three aspects:

1. Policies should be stabilized so as to ensure a steady progress. In grasping their economic work, various localities should abide by the party's ideological line of seeking truth from facts; proceed from reality in everything; carry out their work in accordance with economic laws; estimate their own ability and act accordingly; and attain progress in a stable way. We should by no means set high targets regardless of our actual strength and become overanxious for quick results. In economically backward areas where leaders are faced with greater pressure, more attention should therefore be paid to this issue.

These days, enterprises are afraid of overlapping and changeable policies, which may put them at a loss as to what to do. To avoid such a situation, policy-decision departments should make greater efforts to coordinate various policies, and refrain from blowing their own bugle and singing their own tune, or even transferring problems to lower levels. We should try our utmost to create a relatively stable policy environment for enterprises.

2. Efforts should be concentrated on the implementation of policies formulated by the central authorities. According to comrades in grass-roots units, the spirit of

the Seventh Plenary Session of the 13th CPC Central Committee and the State Council's overall plans to invigorate large- and medium-sized enterprises are both necessary and timely. However, these enterprises share a common concern: It is difficult to put all these policies and plans into effect. Under these circumstances, it is, in my opinion, an important content of changing the functions, roles, and working style of governmental departments and organs to ensure that instead of making general calls and transmitting documents, leading departments at all levels should go deep into reality, and put into practice the policies and principles formulated by the party Central Committee and the State Council in a down-to-earth manner. Recently, Henan Province set forth a work requirement of "three guards and four practical things," that is, guard against bureaucracy, dogmatism, and formalism; and tell the truth, accomplish practical work, grasp implementation, and achieve

real results. This work requirement struck home and, therefore, was well received by the broad masses.

3. Education of cadres is an issue of great importance. The development of a socialist planned commodity economy has set still higher demands on the quality of cadres, who are required to have not only socialist "morality" but also the "capability" to practice commodity economy. Neither should be overemphasized at the expense of the other. At present, it is an urgent need to urge cadres to set an example and serve the people wholeheartedly; to enhance their policy level so that they can proceed in everything from reality and implement the party's policies and principles in a down-to-earth way; and to raise cadres' management standard, eliminate their blindness in making policy decisions, and enable them to make more scientific, systematic, and workable policy decisions.



### North Region

#### North China Becomes 'Important Energy Base'

HK2907061291 Beijing XINHUA Domestic Service  
in Chinese 2010 GMT 25 Jul 91

[Report by correspondents Ling Guangzhi (0407 1639 1807), Du Wenfeng (2629 2429 1496): "North China Becomes China's Important Energy Base"—XINHUA headline]

[Text] Taiyuan, 26 Jul (XINHUA)—Coalfields, oilfields, power plants, including newly built ones, scattered all over north China are sending out an endless supply of iron and oil along transport lines to all parts of the country. North China has become China's important energy base and will undertake the supply of energy to the whole country in this and the next century.

The state has adopted many preferential policies and invested a large amount of funds in comprehensively developing energy resources in north China. At present, about 10,000 coalfields, oilfields, and power plants emerged on the plain, plateau, and grassland of north China have constituted a steady and tremendous productive force. Last year, the output of north China's raw coal exceeded 400 million tons, accounting for more than one third of China's total output of raw coal. The Dagang, Bohai, and Huabei oilfields have become China's main oilfields. The installed capacity of north China's power industry, which depends on coal for its development, has doubled, totalling over 18 million kilowatt hours.

North China, with its rich energy resources, occupies a decisive position in China's economic development. Last year, north China sent out nearly 200 million tons of coal to other parts of the country, accounting for more than 90 percent of China's coal transferred from one locality to another. Coal from north China is continuously sent to over 20 provinces, municipalities, and regions all over China. At present, at least one third of China's industrial and communications enterprises, totalling several hundred thousand, are using coal from north China. One third of China's financial revenue is related to energy resources in north China.

The fast development of north China as an energy base has caused large quantities of technologies, personnel, and funds to flow to the northwest through north China and has created conditions for the whole country to benefit from rich resources in the northwest through north China. This has greatly promoted the development of western regions and helped strategically shift development of energy resources to the west.

At the same time, north China's communications, power industry, coal chemical industry, petrochemical industry, and local economy have also developed, thus enabling several millions of people in poverty-stricken Taihang and Luliang mountain areas to embark on the road to prosperity.

At present, Shanxi, a major coal-producing province, is comprehensively transforming technology for coal mines. It is striving to increase its annual output of raw coal to 10 million tons. Inner Mongolia has stepped up the construction of large open cut coal mines such as the Jungar and Dongsheng coal mines. Hebei is striving to stabilize its output of raw coal by means of technological progress and tapping potentials of old mines. In the meantime, planning and construction of a large number of power plants, including those in Shentou, Yangcheng, Taiyuan, and Dalad, and of the Dagang and Bohai oilfields are in progress.

#### Xing Chongzhi Heads Party-Building Society

SK2607044691 Shijiazhuang Hebei People's Radio  
Network in Mandarin 2200 GMT 21 Jun 91

[Text] The Hebei Provincial society of party building work—a mass academic organization with the study of theories on party building and practice as the main task—was established in Shijiazhuang on 21 June.

At the first plenary meeting held in the morning, the broad masses of members of the society elected Comrade Xing Chongzhi honorary president, Lu Chuanzan as president, and Chen Yujie and Han Licheng, and other nine persons as vice presidents. The meeting also adopted the regulations of the Hebei Provincial society on party building work.

Xing Chongzhi, secretary of the provincial party committee, said: The establishment of the society on party building work is a major event in our province's party building, and a good event worthy of celebration. At present, our country's socialist modernization construction has already entered a very crucial period. From now on, making up our mind to strengthen the study, research, and publicity of the Marxist theory on party building is an urgent need to strengthen party building and a demand of the times. The newly established society of party building work should shoulder the tasks of organizing the study, research, and publicity of the Marxist theory on party building, and through solid and effective work, strive to score good achievements and make positive contributions to promoting the province's party building work.

On behalf of the board of directors of the society of party building work, Lu Chuanzan, deputy secretary of the provincial party committee and president of the provincial society of party building work, touched on the purpose of the society of party building work and his opinions on how to carry out work in the future.

At the end of his speech, Comrade Lu Chuanzan pointed out in particular: We must persist in taking the basic party theories of the Marxism-Leninism-Mao Zedong Thought as the guidance and uphold the principle of combining theory with practice in carrying out party building activities. In addition, we should properly handle the relationship between inheritance and development. On the basis of studying and having a good

command of these theories, we should boldly probe into the new situation and new problems, and offer new methods for solving the new problems.

### At Hebei Cadres Meeting

SK2607140191 Shijiazhuang HEBEI RIBAO  
in Chinese 23 Jun 91 p 1

[By reporters Kang Enhua (1660 1869 5478) and Feng Junlan (7458 0193 5695): "The Provincial Party Committee and Government Hold a Ceremonious Rally To Commend Advanced Collectives of Veteran Cadres and Advanced Individuals"]

[Excerpts] Twenty advanced collectives of veteran cadres and 1,096 advanced individuals, who made outstanding contributions to building the two civilizations in our province, were commended at the provincial rally to commend advanced collectives of veteran cadres and advanced individuals. The rally was cosponsored by the provincial party committee and the provincial government.

This two-day rally came to an end today. The rally was enthusiastic and grand. It was a commendatory rally as well as a meeting for exchanging experiences. At the rally, 21 veteran cadres gave speeches or submitted written speeches. The participants issued a letter of proposal to retired veteran cadres across the province on "making new contributions to realizing the 10-Year Program and the Eighth Five-Year Plan."

Presided over by Provincial Governor Cheng Weigao presided over yesterday's opening ceremony. As soon as Chen Yujie, member of the Standing Committee of the provincial party committee and director of the Organization Department, finished reading the namelist of the persons to be commended at the rally, some representatives of advanced collectives and individuals, wearing red flowers on their chests, mounted the rostrum in proper order to receive banners and certificates of honor from the provincial leaders, including Xing Chongzhi, Cheng Weigao, Lu Chuanzan, Li Bingliang, Liu Shanxiang, Chen Yujie, Zhang Zhenhuan, Zou renjun, Xu Chunxing, and Zhao Weizhong. [passage omitted]

Xing Chongzhi, secretary of the provincial party committee, deeply esteemed the retired veteran cadres of our province for their lofty realm of thought even at their advanced age. At the opening ceremony, Xing Chongzhi gave a speech to praise the veteran cadres. He said: During the protracted revolution and construction, veteran cadres in our province always cherished the party, showed loyalty to the party, and devoted their whole lives to the party's cause. They made indelible contributions no matter whether they were in the war braving untold dangers or in a period of socialist construction painstakingly doing pioneering work. He expressed hopes that retired veteran cadres throughout the province would more unswervingly implement the party's basic line during the implementation of the 10-Year Program and the Eighth Five-Year Plan; further promote the party's fine traditions and work style; fully display

their special political advantages, experiences, expertise and strong points; continue to display a positive role in discussing political affairs, developing science and technology, providing technical consulting services, helping the poor areas become rich, serving the society, developing the tertiary industry, strengthening the building of party style and administrative honesty, showing concern for the education of the next generation, and cultivating successors for carrying out the proletarian revolutionary cause; and make new contributions to promoting economic invigoration and social progress in the province.

Lu Chuanzan, deputy secretary of the provincial party committee, also addressed the rally. [passage omitted]

### Inspects Tangshan Enterprises

SK2607130591 Shijiazhuang Hebei People's Radio  
Network in Mandarin 2200 GMT 24 Jun 91

[Text] During an inspection tour to the city of Tangshan to conduct investigations and study of enterprises, Xing Chongzhi, secretary of the provincial party committee, stressed: We should turn scientific and technological research into a force, study new technology, produce new products, and create a new level.

Xing Chongzhi went to (Dianying) machinery plant in Tangshan on the morning of 24 June. After hearing a detailed briefing given by Plant Director (Jia Wenzhu) on the situation of importing a refrigerator compressor production line from Germany, he pointed out: The scientific research force must be strengthened. We should strengthen the concept of applying new technology and high technology. Plants should give prominence to technical forces. If conditions permit, they may cooperate with technical forces in institutions of higher learning in Beijing and other localities and with scientific research personnel of plants to study new problems and new products. It is necessary to keep informed of the strong points of various plants in a timely manner, and to strive to create first-grade products and to rank among the best.

Xing Chongzhi said: Like other products, the communications and electrical products are always changing and, therefore, we must have many choices. We must do something about the specifications, quality, and prices. The products turned out by the newly imported facilities must manifest the new technology and new level, and must be high in quality.

### Hebei's Cheng Weigao Meets World Bank Guests

SK2607132091 Shijiazhuang HEBEI RIBAO  
in Chinese 22 Jun 91 p 1

[By reporter Lin Huizeng (2651 2585 2582): "Cheng Weigao Meets With Guests From World Bank"]

[Text] Today, Governor Cheng Weigao and Vice Governor Wang Youhui met with the World Bank group sent to China to assist in the project of developing the rural public health labor forces in China (hereafter referred to

as Public Health IV Project). Cheng Weigao thanked the World Bank for helping Hebei Province improve the rural public health situation. He said: Once the Public Health IV Project has been determined, Hebei will spare no effort to make it a success.

The World Bank delegation led by Mr. (Digen) arrived in our province on 9 June. With the recognition of the World Bank and the Chinese Ministry of Public Health, our province has been included on the waiting list of provinces to carry out the Public Health IV Project. At present, the preparatory work of this project has entered the substantive stage and a "letter of proposals for the project" is being written. This delegation came to our province for observation and to train personnel and to help our province write the "letter of proposals for the project."

During its stay in our province, the delegation observed the rural medical facilities and health-care situation in Hengshui and Xingtai Prefectures.

#### **Shanxi Public Security Sector Punishes Policemen**

*HK2607125291 Taiyuan SHANXI RIBAO in Chinese  
17 Jul 91 p 1*

[Report by Meng Yinfeng (1322 6892 7685): "Public Security Sector Punishes 120 Police Officers, Men Who Violated Law"]

[Text] In rectifying the law enforcement contingent, the provincial public security sector has been bold in investigation and punishment without shielding faults. Throughout the province in the past two months and more, 187 cases of violation of law and discipline involving 198 public security officers and men have been placed on file for investigation and prosecution; 116 cases, involving 120 people, have been verified and handled; 34 people have been arrested and given punishment; 31 have been expelled from the party or discharged from public employment; 68 have been transferred away from the public security sector; and more than 100 informal policemen have been dismissed.

The party group of the provincial public security department attaches great importance to the rectification of the public security contingent and settles problems as soon as they are spotted. Over the past two months or more, the public security officers and men throughout the province have refused to take presents or bribes, valued at 203,000 yuan, in more than 6,100 cases; have done good things for the masses in 4,391 cases; the "cold, hard, and unreasonable" work style has somewhat changed; 3,100 criminal cases of various kinds have been cracked provincewide; and 5,571 offenders have been arrested and 406 gangs smashed.

Recently, the provincial public security department once again made arrangements for, and mobilized public security officers and men throughout the province,

calling on all public security organs to deepen the investigation and redressing among themselves and to integrate the rectification with the maintenance of social order in the summer.

#### **Tan Shaowen Addresses Non-CPC Figures**

*SK2707041991 Tianjin TIANJIN RIBAO in Chinese  
27 Jun 91 pp 1, 3*

[Excerpts] On the morning of 26 June, the Tianjin Municipal CPC Committee invited responsible figures of various democratic parties and mass organizations, as well as people without party affiliation to a forum to mark the 70th anniversary of the founding of the CPC. The participants reviewed the CPC's 70 years of brilliant fighting and enthusiastically discussed the militant friendship between the various democratic parties and the CPC which shared weal and woe in the long period of revolution and construction. [passage omitted]

Tan Shaowen, secretary of the municipal party committee, gave a speech at the end of the forum. He said: Since its founding in 1921, the CPC has traversed a tortuous, yet brilliant and great course. In the past 70 years, it led the Chinese people in overthrowing the "three big mountains," established New China, and turned the poor and backward old China into a New China with initial prosperity, which is marching forward bravely along the road of socialism with Chinese characteristics. This was a great pioneering undertaking in Chinese history. Being the historical choice of the Chinese people, the CPC leadership represents the desire and interests of Chinese people of various nationalities. Due to different historical conditions and social systems, we must not develop the Western-style multiparty system nor take the capitalist road. To uphold the CPC leadership and make the party a strong leadership core of the socialist cause forever is a basic principle to which we should adhere.

Tan Shaowen said: An important experience in the Chinese revolution is the united front. Democratic parties and people without party affiliation are an important force in China's patriotic united front. During the long period of practice, democratic parties chose the CPC leadership, cooperated with it for a long time, shared weal and woe with it, and made significant contributions to the founding of New China and to socialist revolution and construction. Tianjin's various democratic parties launched the progressive democratic movement in the liberation war period, and together with Communist Party organizations and people throughout the municipality, ushered in Tianjin's liberation. After the founding of the country, democratic parties improved and developed their organizations, voluntarily agreed to the leadership of the Communist Party, played a positive role, and greatly helped the Communist Party in the periods of the regeneration of the national economy, socialist transformation, and comprehensive socialist economic construction. Since the Third Plenary Session of the 11th CPC Central Committee, our municipality's united front



work has acquired a new look, thanks to the concerted efforts of democratic parties, people without party affiliation, and figures from various circles. After summarizing its experiences in cooperation and political consultation with democratic parties, the municipal party committee reaffirmed the system of political consultation with democratic parties and people without party affiliation, and strove to replenish and improve it through practice. Democratic parties and figures from various circles in our municipality have actively supported the CPC's basic line, the four cardinal principles, and reform and opening up; have fully developed their advantages; have performed their role as parties participating in government and state administration; and in the spirit of being masters of the state, have actively plunged into our municipality's political, economic, and other undertakings. Focusing on the central task of economic construction and gearing their work to the needs of society, democratic parties have actively participated in government and state administration, conducted investigations and studies, established schools, given lectures, and given intellectual support and scientific and technological consultation to border areas, thus achieving good social and economic benefits. Meanwhile, they also have made positive contributions to defending the stable and united political situation of our municipality and to building the spiritual civilization. On behalf of the municipal party committee and government, I extend my heartfelt gratitude for their sincere cooperation and great support.

Tan Shaowen said: The 1990's are crucial to the historical progress of socialist modernization, and it is a very important period in building and developing Tianjin. The fifth session of the 11th municipal People's Congress endorsed the outlines of the 10-Year Program and Eighth Five-Year Plan for the economic and social development of our municipality. The current key work is to pool the efforts and wisdom of all quarters and create a vivid situation in which all the people work in unity and in a down-to-earth manner to accomplish the second-step strategic objective. To achieve this, we should continue to adhere to the systems of multiparty cooperation and political consultation under the leadership of the Communist Party, and give full play to the important role of democratic parties and figures from various circles in the political, economic, cultural, and other undertakings of our municipality. He urged democratic parties to continue to perform their role in participating in and discussing government and state administration and in exercising democratic supervision, to continue to improve themselves, to continue to develop their intellectual advantages, and to make more contributions to developing Tianjin through the application of science and technology.

Attending the forum were Lu Xuezheng and Huang Yanzhi, Standing Committee members of the municipal party committee; Li Changxing, vice mayor; Xiao Yuan, He Guomo, Huang Tifei, Yang Tianshou and Yi Songting, vice chairmen of the municipal committee of the

Chinese People's Political Consultative Conference; Fang Fengyou, secretary general of the municipal government; members of the united front work leading group of the municipal party committee; and responsible comrades of the united front work department of the municipal party committee.

### Attends Museum Opening

SK2607140291 Tianjin *TIANJIN RIBAO* in Chinese  
30 Jun 91 p 1

[Excerpts] On the occasion of our celebration of the 70th anniversary of the founding of the CPC, the museum to commemorate Comrade Li Dazhao, a great Marxist, the pioneer of the Chinese communist movement, and one of the principal founders of the CPC, was inaugurated yesterday morning at the municipal institute of political science and law management cadres.

Tan Shaowen, secretary of the municipal party committee, inaugurated the Martyr Li Dazhao Museum.

Nie Bichu, deputy secretary of the municipal party committee and municipal mayor, presided over the inaugural ceremony.

Attending the ceremony were leading comrades of the party, government, and army organs, including Yang Jingheng, Wang Xudong, Lu Xuezheng, Huang Yanzhi, Li Yuan, Song Pingshun, He Guomo, Xie Zhaoyi, Wang Yongchen, Tao yimin, Fang Fang, Li Jianguo, and Fang Fengyou. [passage omitted]

The inaugural ceremony began amid the solemn playing of the Internationale.

Entrusted by the Tianjin Municipal party committee, Yan Dakai gave a speech. On behalf of the Tianjin municipal party committee, the municipal Advisory Commission, the municipal People's Congress Standing Committee, the municipal government, and the municipal committee of the Chinese People's Political Consultative Conference, Yan Dakai extended warm congratulations on the inauguration of the Martyr Li Dazhao Museum, cherished the deep memory of Martyr Li Dazhao who made outstanding contributions to the Chinese people's liberation cause, and extended lofty respects to him. [passage omitted]

After the inaugural ceremony, leading comrades of the party, government, and army organs and responsible comrades of various departments, committees, offices, districts, counties, bureaus, and the teaching faculty and students of the municipal institute of political science and law management cadres, a total of approximately 500 persons, visited the Martyr Li Dazhao Museum.

## Northwest Region

### Gu Jinchu Addresses Gansu Cadres' Study Class

HK2607142491 Lanzhou Gansu People's Radio  
Network in Mandarin 2200 GMT 25 Jul 91

[Summary from poor reception] A study class for main party and government cadres at the provincial level ended yesterday afternoon [25 July]. Provincial party Secretary Gu Jinchu attended the concluding session, and spoke. He said that the aim of the study class was to further study Comrade Jiang Zemin's 1 July speech, and the spirit of the relevant instructions issued by the central authorities. Participants summed up their experiences and reviewed their thinking at the study class.

Comrade Gu Jinchu urged leaders at all levels to further emancipate their minds and improve their work style to promote the smooth progress of economic construction in our province and strive for the fulfillment of the strategic tasks and objectives of struggle. He stressed that economic construction should be brought onto the track of relying on scientific and technological progress, enhancing the quality of the workforce, and continuously increasing economic results. In economic construction, the spirit of self-reliance should be carried forward. In conclusion, Gu Jinchu emphasized: Party leadership over economic construction should be strengthened so as to ensure the smooth progress of reform and opening up.

### Jia Zhijie Attends Production Safety Conference

HK3007065891 Lanzhou Gansu People's Radio  
Network in Mandarin 2200 GMT 27 Jul 91

[Excerpt] The sixth provincial production safety work conference concluded in Lanzhou yesterday [27 July].

At the conference, Governor Jia Zhijie pointed out: Production safety is the key to fulfilling production quotas and increasing economic results, and has an important bearing on our province's economic development and social stability. Therefore, it is imperative to check some enterprises' tendency to seek quick successes and instant results, engage in short-term behavior, and ignore production safety.

Jia Zhijie stressed: All areas and units must ensure production safety in all their operational activities, and strive to improve production safety still further. [passage omitted]

### Qinghai CPC Committee Presents Development Plan

HK2507065091 Xining Qinghai People's Radio  
Network in Mandarin 2200 GMT 21 Jul 91

[Excerpt] The proposal adopted by the seventh plenary session of the seventh provincial party committee for drawing up the province's 10-Year Program and Eighth Five-Year Plan for economic and social development pointed out that Qinghai's basic requirements for achieving the second-step strategic goal are: while vigorously raising economic efficiency and optimizing the economic structure,

quadruple the 1980 GNP by the end of this century; improve the people's living standards from just having enough to eat and wear to a state of leading a fairly comfortable life; develop education and promote scientific and technological progress; improve economic management and step up construction of key projects to lay a solid foundation for increasing economic strength; establish an initial form of a new economic structure and operating mechanism which integrates a planned economy with market regulation and is compatible with the development of a socialist planned commodity economy based on public ownership; make greater efforts to promote ideological and cultural progress; and improve socialist democracy and the legal system.

The provincial party committee's proposal requires that local GNP annual growth rate will average 7.3 percent in the next 10 years, except for 6.5 percent in the Eighth Five-Year Plan; and that priority will be given to development of agriculture, animal husbandry, and energy and raw material industries, to technological updating of machine-building and textile and other light industries, and to construction of the infrastructure. At the same time, it is necessary to step up the building and tertiary industries. We should at once help the country attain the overall strategic goal and promote development of the local economy to gradually build up a regional economic structure with unique local features.

According to the proposal, by the end of this century, gross grain output is to reach 1.45 million tonnes, oil-bearing crops 150,000 tonnes, meat 220,000 tonnes, and wool 19,300 tonnes. In developing industry, it is essential to bring into play the province's fairly strong points and regard exploitation of natural resources as the point of breakthrough for revitalizing the province's economy. By the end of the century, the province's installed capacity is to amount to 4.5 million kilowatts with the annual generated energy coming to 15 billion kilowatt-hours. By the end of the Eighth Five-Year Plan, the province's coal output is to hit 4 million tonnes and will reach 5 million tonnes by the end of the Ninth Five-Year Plan. By the end of the Ninth Five-Year Plan, the annual crude oil output is to reach 2 million tonnes through hard work. At the same time, we should raise the technological level, increase production capability, and reduce waste of materials through updating and expanding existing enterprises and construction of key projects so that we can gradually build up superior industries and produce competitive products.

The provincial party committee's proposal set the basic tasks for promoting scientific and technological progress as follows: With a view to solving major problems with the development of industry, agricultural, and animal husbandry, technological innovation, exploitation of natural resources, and social undertakings, we should launch scientific and technological projects, carry out scientific research, and expand the application of advances in science and technology that require less input, yield greater economic results, and promise quick returns. As regards the development of education, by the

end of the Eighth Five-Year Plan, 85 percent of school-age children are to enter school and the proportion of minority nationality students to the number of existing students is to increase 4 percent. It is necessary to develop adult education with stress on in-service training and properly run institutions of higher learning. [passage omitted]

#### **Tibetan Prefecture in Qinghai Marks Anniversary**

OW2707110691 Beijing XINHUA in English  
0754 GMT 27 Jul 91

[Text] Jiegu, July 27 (XINHUA)—A large crowd of over 40,000 local residents, dressed in various bright-colored national costumes, gathered here on Thursday to celebrate the 40th anniversary of the founding of the Yushu Tibetan Autonomous Prefecture in Qinghai Province.

The prefecture is located in the center of the Qinghai-Tibet highlands at the sources of the Yangtze and Yellow Rivers. It covers more than 260,000 sq km, and has a population of over 227,000, of which 219,000, or 96.5 percent, are Tibetans.

The average elevation in the prefecture is above 4,100 meters. The prefecture is one of Qinghai's most important livestock bases and accounts for almost one-fourth of the province's total livestock production.

On July 25, 1951, Yushu became China's first autonomous prefecture inhabited by the Tibetan nationality, and over the past 40 years, the prefecture has achieved great progress in social and cultural development.

In 1990, the prefecture had over 3.74 million domestic animals, and produced 17.1 million kg. of grain. The average income of farmers and herdsmen in the region was 12 times that of 40 years ago.

The celebration, which will last for one week, will include horse racing and fashion shows, as well as a cultural relics exhibition and commodities fair.

#### **Xinjiang Holds Procuratorial Work Meeting**

HK3007065491 Urumqi Xinjiang People's Radio  
Network in Mandarin 1500 GMT 27 Jul 91

[Text] The third regional criminal procuratorial work meeting, which ended yesterday, called on criminal procuratorial departments at all levels throughout the autonomous region to continue dealing heavy blows to criminal activities, and profoundly carrying out struggles against corruption and bribery so as to make new contributions to the social stability and economic development of the autonomous region.

Over the past three years, procuratorial and judicial departments at all levels throughout the province have dealt heavy blows to counterrevolutionary sabotage and other severe criminal activities, and have approved the arrest of more than 29,000 criminals. More than 900 criminals guilty of corruption and graft also were arrested following investigation. All this has effectively attacked criminal elements of all kinds, maintained social stability, and ensured smooth progress in economic improvement and rectification, reform, opening up, and economic construction.

The meeting pointed out: At present, the social order situation is still very grim, and various kinds of criminal activities are still very frantic. The task of punishing corruption is still very strenuous. Criminal procuratorial departments at all levels throughout the region should unswervingly take the task of dealing heavy blows to counterrevolutionary sabotage and other severe criminal activities as their focus for this year. They should promptly and strictly punish relevant cases, and work hard to improve social order so as to ensure a healthy development in Xinjiang's economic construction.



**Mainland Red Cross Officials Permitted To Visit***OW3007092891 Taipei CNA in English 0832 GMT  
30 Jul 91*

[Text] Taipei, July 30 (CNA)—The Straits Exchange Foundation (SEF) informed Peking today that the government has agreed to allow mainland Chinese Red Cross officials to visit 18 mainland fishermen detained here on suspicion of having committed maritime crime.

SEF was asked by the Mainland Affairs Council (MAC) to fax the message to the Taiwan affairs office of Peking's State Council.

Chen Jung-chieh, SEF deputy secretary general, said that Taipei asked Peking to send the resumes of the Red Cross officials proposed to visit here.

Chu Wu-hsien, a MAC department director, said the trips here by mainland officials must be sponsored by SEF officials of equivalent status.

The mainland visitors will meet with the mainland fishermen and the secretary general of the Republic of China Red Cross Society, Chu noted.

The mainland Chinese fishermen, now under detention in Taichung, central Taiwan, were accused of robbing a Kaohsiung-based fishing boat on July 21. The government has promised to repatriate them if judicial authorities find them not guilty.

**Plan To Ease Restrictions on Mainland Journalists***OW2607123791 Taipei CHINA POST in English  
23 Jul 91 p 12*

[Text] Liao Cheng-hao, vice director general of the Government Information Office (GIO), said yesterday that the government would further simplify the application procedures for mainland journalists applying to visit the island.

The vice director general said he hoped mainland authorities would not use any other excuses to stop mainland reporters from visiting Taiwan now that the government has promised a further ease on the restrictions.

The decision came after mainland officials disclosed that unless Taiwan revised current requirements that mainland journalists find a guarantor in Taiwan to apply for a visit, the mainland authorities would not approve any such trips.

The mainland authorities have repeatedly demanded that the ROC [Republic of China] Government relax its restrictions on mainland reporters and Taiwan has also complied with their several times to entice visits by mainland reporters.

It first abandoned the requirement that all members of the Chinese Communist Party renounce their membership before entering the country, and then canceled the

requirement that applicants should report their children's background after mainland's protest.

The requirements that applicants report their exact schedules while in the country and use the Taiwan calendar rather than the Gregorian one currently used on the mainland were also omitted in response to suggestions by mainland authorities.

Meanwhile reports quoting informed sources in Beijing said that the mainland authorities have selected no more than 10 journalists from the official New China News Agency, People's Daily, the Central Television Station and the Central People's Radio Station to visit the island when Taiwan meets all the demands.

None of them however are included in the list of five journalists, recently granted entry visas by the government here.

**Medical Aid for Flood Victims Sent Via Hong Kong***OW2707100891 Taipei CNA in English 0805 GMT  
27 Jul 91*

[Text] Taipei, July 27 (CNA)—Another 637 cartons of medical supplies donated for the relief of the China mainland flood victims will be airlifted by China Airlines to Hong Kong Saturday evening and then to the mainland, the Republic of China Red Cross Society said.

Additional medical supplies will be sent to the mainland July 30, the society said.

The first shipment of medical supplies arrived in Shanghai Wednesday. A Red Cross official accompanied the shipment to convey the concerns of people here and to visit flood-stricken areas in order to gain a better understanding of the latest flood damage situation, the society reported.

Fifteen thousand tons of rice and 550 tons of flour donated by the government will be shipped on August 10 to the mainland via a third area.

Sun Po-chiu, vice chairman of Mainland China Red Cross Society, told the ROC Red Cross Society that Anhui Province, one of the worst-affected areas, had used the first cash donations sent by the ROC Red Cross Society to buy food and medicine.

**Taiwanese Investors in Mainland To Form Group***OW2707133091 Taipei CNA in English 0802 GMT  
27 Jul 91*

[Text] Taipei, July 27 (CNA)—The first association organized by Taiwan investors in mainland China will be established here on Aug. 1, officials of the Ministry of Economic Affairs (MOEA) said today.

The first such association will be organized by Taiwan electrical appliance manufacturers, and MOEA will assist Taiwan investors in other lines of business to organize their own associations.

The establishment of such associations will increase the bargaining power of Taiwan investors on mainland in doing business there, officials said.

Until now, 2,503 local companies have registered with MOEA with their mainland ventures having a total paid-in capital of U.S.\$750 million, MOEA reported.

### IDF Development Continues Despite Crash

OW2707092091 Taipei CNA in English 0750 GMT  
27 Jul 91

[Text] Taipei, July 27 (CNA)—The development of the Indigenous Defense Fighter (IDF) is continuing despite the recent crash of a prototype of the first locally developed fighter, Defense Minister Chen Li-an said Friday.

Chen told a routine news briefing that the crash was not serious enough to justify a suspension of the overall IDF development plan.

The crash into sea took place on July 12 when a prototype aircraft was trying to break transonic barrier during a test flight. A initial investigation has concluded that the plane's horizontal stabilizer cracked due to transonic turbulence.

As the wreckage of the fighter has not been recovered, Chen said, it is still too early to determine the real cause of the crash.

While actively investigating the cause of the accident, Chen said, military authorities will continue testflights of the remaining three prototype IDF planes. About 50 percent of the IDF testflights have been completed so far, he added.

The minister pointed out that the IDF is still in a research and development stage, and mass-production of the plane has not yet begun.

Chen reported that an additional prototype plane is scheduled to roll off the assembly line next March.

### Conference Expects Stronger Ties With Seoul

OW3007091791 Taipei CNA in English 0808 GMT  
30 Jul 91

[Text] Taipei, July 30 (CNA)—Participants in the 24th Sino-Korean economic cooperation conference Monday expressed the confidence that trade relations between the Republic of China [ROC] and South Korea will be further strengthened even though Seoul is seeking closer ties with Peking.

Delegates to the conference decided the next meeting of the annual economic cooperation conference will be held in Seoul next year.

Yi Hang-kyun [name as received], head of Planning Department of the Korean Finance Ministry, said that South Korea will strengthen trade relations and scientific

exchanges with the Republic of China and hopes that both countries will work together to combat international protectionism.

Hsu Tsao-lin, deputy director-general of the ROC Board of Foreign Trade, told the five-day conference started Monday that both countries have deficits in their trade with Japan and they must cooperate closely to improve the situation. Both sides also agreed to jointly tap East European markets and to increase imports of each other's agricultural products.

The government agreed in principle to Korean participation in the nation's ambitious 1991-96 national development plan but declined to freely permit imports of Korean cars.

Yang Shih-chien, director of the Industrial Development Bureau, said that this year's quota for Korean cars is 8,878, a 30 percent increase over 1990. As for applications by Korean car makers to open plants here, Yang said that the government welcomes foreign car makers who wish to establish plants here as long as they meet government requirements.

### Manila Undecided on Fishery Pact Status

OW2607180991 Taipei CNA in English 1508 GMT  
26 Jul 91

[Text] Taipei, July 26 (CNA)—The Philippines has not yet formally decided on what to do [words indistinct] the fishery cooperation agreement it signed with the Republic of China [ROC] early this month, a Far East News Agency [FENA] report from Manila quoted Foreign Undersecretary Pablo Suarez as saying Friday.

However, Suarez said in a statement published Friday that a decision on the matter will have to be taken before the agreement would take effect next month, according to the FENA report.

The agreement, signed in Taipei July 7, is supposed to take effect one month after.

Suarez was quoted as saying that any decision on the issue will have to be the output of a cabinet study group and not the Department of Foreign Affairs. Suarez heads the four-man study group assigned to review the agreement.

The MANILA STANDARD published a draft of a memorandum for President Aquino from the study group Friday. It recommended that the agreement be downgraded into a mere "record of discussion."

The draft said that if the agreement will be implemented it could "damage seriously, if not irreparably" Manila's relations with Communist China.

**Taiwan Bank To Open Branches in Vietnam**

OW3007092791 Taipei CNA in English 0826 GMT  
30 Jul 91

[Text] Taipei, July 30 (CNA)—The International Commercial Bank of China (ICBC) plans to open branch offices in Vietnam in view of growing trade between Taiwan and the Indo-Chinese country, bank sources said today.

ICBC had branches in Ho Chi Minh City, formerly Saigon, and Cholon before communist North Vietnam took control of the South in 1975. The two branches were seized by Hanoi authorities.

After a 16-year suspension, Sino-Vietnamese trade and economic relations have grown rapidly in recent years as Vietnam, is actively seeking foreign investment to bolster its economy. Major commercial banks here, including ICBC, have resumed business relations with their Vietnamese counterparts.

**China Airlines Postpones Flights to Vietnam**

OW3007093791 Taipei CNA in English 0823 GMT  
30 Jul 91

[Text] Taipei, July 30 (CNA)—China Airlines [CAL] announced Monday night that technical problems will force it to postpone the inauguration of its planned weekly flights to Vietnam.

CAL, the flag carrier of the Republic of China, was due to begin flights today to Ho Chi Minh City, formerly Saigon.

CAL executives would not elaborate on the reasons for the postponement of the scheduled flight.

Ho Chi Minh City will be CAL's 28th international flight destination, and the first to a communist country.

Taiwan stopped its flights to Vietnam in 1975 following the fall of south Vietnam to the communists.

**Air Route Leads to Upgraded Links With Australia**

OW3007091891 Taipei CNA in English 0751 GMT  
30 Jul 91

[Text] Taipei, July 30 (CNA)—Trade and economic relations between the Republic of China and Australia will take a giant step forward with the inauguration of direct flights between the two countries, Economic Affairs Minister Hsiao Wan-chang said Monday.

Hsiao, just back from a whirlwind visit to Canberra, said technical problems with the Sino-Australian aviation accord signed Jan. 26 have all been resolved and direct Taiwan-Australian flights will start soon.

Despite the absence of diplomatic relations, Hsiao said, communication channels between Taiwan and Australian trade authorities are well established.

Hsiao, the highest-ranking Chinese official to visit Canberra in more than two decades, met with the three

Australian ministers in charge of economic, trade and industrial affairs during his stay there July 24-28.

Hsiao said he believes there is still ample room for increased investment and trade between the two countries. "All the senior Australian officials I met agreed with my view," he added.

Foreign Ministry sources confirmed Monday that direct Taiwan-Australian flights may start as early as September and that the Republic of China's representative office in Australia will be upgraded.

Lin Shui-chi, director of the Foreign Ministry's East Asian and Pacific Affairs Department, accompanied Hsiao on his Australian tour. During their stay, they reached an understanding with Australian officials on the upgrading of Taipei's representation there.

Taipei's interests in Australia are currently represented by a private "Far East Trading Co." in Melbourne which is not authorized to issue visas to Australian citizens intending to visit Taiwan.

Diplomatic sources said Australia has agreed to upgrade the status and function of Taiwan's representation in its territory. The Far East Trading Co. will be renamed the "Taipei Economic and Cultural Office" and its location will be moved to Canberra, the sources said. The upgraded office will also be authorized to issue visas.

**Taiwan To Aid USSR, Hungary, Others**

OW2907111491 Taipei CNA in English 0826 GMT  
29 Jul 91

[Text] Taipei, July 29 (CNA)—The Republic of China [ROC] is ready to finance development projects in four countries through its Overseas Economic Cooperation Development Fund, government sources reported today.

The fund will cooperate with banks in the Soviet Union, Hungary, Indonesia and Costa Rica to provide soft loans for small- and medium-sized businesses in the four countries, the sources said.

The fund's management has sent draft cooperation contracts to banks in the four countries intending to join in the financing scheme the sources said.

The fund will initially provide U.S.\$20 million for each of the four countries. The money will be lent to small and medium businesses through banks in each individual country.

The fund currently has a capital of U.S.\$400 million, all contributed by the government. It has approved 17 applications for financial and technical assistance from countries around the world since its establishment in 1988.



**Accord With Polish Chamber of Commerce Signed**

*OW3007093391 Taipei CNA in English 0811 GMT  
30 Jul 91*

[Text] Taipei, July 30 (CNA)—The China External Trade Development Council (CETRA) signed a cooperative agreement with Polish Chamber of Commerce today in Taipei to promote Sino-Polish trade relations, a CETRA official said.

CETRA Secretary-General Liu Ting-tsu and Andrzej Arendarski, president of the chamber, inked the agreement on behalf of both parties.

Arendarski is head of an 11-member Polish trade delegation which arrived here Monday for a six-day visit. During their stay here, delegates from the East European country will meet Chinese businessmen for an exchange of views on ways to promote bilateral trade relations.

Trade between the countries increased to U.S.\$171 million in 1990 from U.S.\$15.5 million in 1986, a 10 fold increase during five years, CETRA reported. Taiwan exports to Poland totaled U.S.\$37.6 million in the first half of 1991, imports from Poland reached U.S.\$93.2 million.

Machinery, audio equipment and consumer goods are the major export items to Poland; imports include steel and chemicals, CETRA added.

**Taiwan, UK Pledge Further Economic Cooperation**

*OW3007083691 Taipei CNA in English 0757 GMT  
30 Jul 91*

[Text] Taipei, July 30 (CNA)—The two-day trade consultations in Taipei between the Republic of China [ROC] and Britain concluded today with both sides pledging to further bilateral economic cooperation.

Sheu Keh-sheng, director of the Board of Foreign Trade (BOFT), said that Sino-British relations have taken a big step forward through the two days of consultations.

John Meadway, British undersecretary of trade and industry, said the meeting has paved the way for further trade and economic cooperation in the future.

Both sides agreed to meet again next year in London for further consultations on increased commercial exchanges.

Meadway, leader of the British delegation, expressed his country's interest in entering Taiwan's financial markets. He said he believes Taipei stands a good chance to become a new Asian financial center.

The ranking British official said many British construction and electric engineering companies hope to join in Taiwan's multibillion-dollar 1991-1996 national development plan. He urged Taipei authorities to treat British bidders favorably.

Meadway said Britain welcomes Taiwan investments. He suggested that Taiwan businessmen use his country as a bridgehead to tap the immense European markets.

As many Taiwan companies are considering investing in Britain, Sheu Keh-sheng suggested the signing of a Sino-British investment guarantee agreement in order to better protect prospective Taiwan investors.

Sheu said Taipei is ready to open its doors wider to foreign insurers. After the legislative yuan approves an amendment to the current insurance law, he said, more foreign insurance companies will be permitted to open branches in Taiwan. The government currently only allows American insurers to open branches here.

Both sides agreed to cooperate in copyright protection and to help their private companies set up joint ventures in third countries or areas.

The British delegation arrived in Taipei Sunday.

**Foreign Ministry Welcomes Peruvian Trade Office**

*OW3007091591 Taipei CNA in English 0814 GMT  
30 Jul 91*

[Text] Taipei, July 30 (CNA)—The Republic of China welcomes Peru to open a trade office in Taiwan, a Ministry of Foreign Affairs (MOFA) official said today.

President Alberto Fujimori said in a Peruvian independence day speech that Peru will open a trade office in Taiwan to promote trade and economic relations between the two countries.

Commenting on the report, the MOFA official said it is an established policy to encourage countries which do not have diplomatic ties with the Republic of China to open trade offices here.

Establishment of trade offices in each other's country will help strengthen trade and economic relations between the two countries, the official said. The Republic of China has a representative office, Far East Trade Center, in Lima.

## Hong Kong

### Commentary Notes Benefits of PRC MFN Status

HK2807022991 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0851 GMT 26 Jul 91

[Commentary by Yu Cheng (6735 2052): "Continuation of U.S. Most-Favored-Nation Treatment for China Will Promote Hong Kong Industry, Trade, and Service Business"—ZHONGGUO TONGXUN SHE headline]

[Text] Hong Kong, 26 Jul (ZHONGGUO TONGXUN SHE)—China will continue to receive most-favored-nation [MFN] treatment from the United States next year, and this will have a good impact on the promotion of industry, trade, and economic development in China and even in Hong Kong. It is believed that Hong Kong businessmen will see a marked increase in industrial orders in the next few months.

In recent years, Hong Kong businessmen shifted many labor intensive production procedures to the low-cost base in the Zhujiang delta in south China. Therefore, when the United States discussed extending MFN status to China for one year, Hong Kong businessmen found it difficult to win more long-term orders from overseas, this indicates that the development of foreign trade in China has a great impact on Hong Kong industry and trade. In fact, among the Chinese goods imported by Hong Kong last year, some HK\$145.1 billion involved processing done on the mainland by Hong Kong businessmen, a sharp increase of 28 percent over 1989. Among the products made in Hong Kong and the materials carried to China, HK\$36.4 billion and HK\$55.4 billion respectively were sent to the mainland for processing, a 14 and 24 percent increase respectively. The U.S. decision to continue granting MFN status to China, and the success in the Hong Kong-U.S. agreement on textile trade, will bring more orders to Hong Kong businessmen.

The preferential treatment will be effective February 1992-January 1993. Therefore, Hong Kong businessmen should see a great increase in orders from the United States in the coming year. In particular, the U.S. economy has basically cast off the recession and gradually recovered, and this will benefit the Hong Kong businessmen who are currently making business plans for taking orders, production, and investment.

In the past year, the U.S. market absorbed fewer Hong Kong products. For example, in the first five months of this year, the total value of Hong Kong products shipped to the United States decreased 13 percent compared with the same period last year, however, it is still the largest market for Hong Kong's export products. The economic recovery and the inadequate stock in the warehouses will provide Hong Kong businessmen with more opportunities to win orders from the United States.

If Hong Kong's export situation to the United States improves, it will bring about an overall recovery of the whole export trade. Since this year, shipments of Hong Kong products to the Asian and European markets have

been ideal, and the increase in individual market such as Mainland China and Germany has been gratifying. Therefore, when the absorbing capacity of the U.S. market increases, it will have an important impact on the performance of Hong Kong's export trade.

Stimulated by the dual beneficial factors of gradually improving the industrial production situation in the south China areas invested by Hong Kong businessmen, and China's prospering foreign trade, Hong Kong's financial and service businesses have more room for development. It is believed that in the second half of this year, being stimulated by various factors such as foreign trade, service industry, and internal demands, Hong Kong economic development will be more ideal than the first half of the year.

On the other hand, since China has solved the problem of its MFN status for the next year, it is believed that trade between the two countries will be benefited. In the first half of this year, China's exports to the United States rose 14.9 percent, while imports increased 6.2 percent, among which quite a large portion of the materials finished deals through entrepot in Hong Kong. Therefore, even though Hong Kong's exports to the United States decreased during the period, its entrepot trade with the United States was stable and improving, and it is estimated that this situation will continually improve.

### Governor Wilson Meets PRC's Lu Ping 25 Jul

OW2507163691 Beijing XINHUA in English 1412 GMT 25 Jul 91

[Text] Hong Kong, July 25 (XINHUA)—Hong Kong Governor Sir David Wilson today described his meeting with senior Chinese Official Lu Ping in Shenzhen on Hong Kong's new airport project as "friendly and useful."

He said he talked with Lu Ping, director of the Hong Kong and Macao Affairs Office of the State Council, about how to carry forward the work connected with the airport which is laid out in the Sino-British memorandum of understanding.

The governor told reporters on his return here from Shenzhen that during the meeting, the two sides went through some of the matters in the memorandum of understanding on the construction of the new airport initialled between the Governments of China and Britain recently.

He said he explained to Lu his thinking on the setting up of the consultative committee, the setting up of the airport authority to replace the present provisional airport authority and the timing of that.

The two sides also discussed the question of the airport committee which comes under the Sino-British joint liaison group.

The governor said the Chinese were supportive of the new airport project. "They have undertaken that. No

change at all in that. Quite the contrary. Quite clear that they do support it. They want it to be got on with as quickly as possible."

He said: "I would describe it as a friendly meeting and as a useful meeting."

He said he would have regular meetings with Lu, as set out in the memorandum of understanding.

The meeting also touched on other issues such as the question of cooperation on police matters, the governor said.

### Airport Committee Discussed

HK2607062691 Hong Kong HONGKONG STANDARD in English 26 Jul 91 p 1

[By Stanley Leung, S. Y. Yue]

[Text] The Airport Committee yet to be formed under the Sino-British Joint Liaison Group (JLG) will be a flexible organisation which will include Hong Kong officials in dealings over the new airport project.

The skeleton of the new diplomatic body emerged yesterday after the Governor, Sir David Wilson, met the State Council's Hong Kong and Macao Affairs Office director Lu Ping during a visit to Shenzhen.

In the first high-level diplomatic contact since the initialing of the airport memorandum, the two sides examined issues such as the formation of the airport consultative committee and Airport Authority. Both Mr Lu and Sir David confirmed that Hong Kong officials would be sitting on the Airport Committee, a JLG-affiliated body, through which China will be fully consulted on major airport affairs.

On his return from Shenzhen, Sir David said the committee should be a small group including Hong Kong officials who "had the right sort of specialist expertise."

It is believed Raphael Hui, director of the New Airport Projects Co-ordination Office and a member of Sir David's team, will play an important role on the Airport Committee and the consultative committee.

Mr Hui, who co-ordinates the airport project, took part in the negotiations with the Chinese side on the airport question earlier this year.

The Governor said the Airport Committee should be a flexible sort of organisation so that new experts could be added.

Sir David said the new committee had a specific and limited task and could come into operation slightly later than the consultative committee.

Sir David said the Chinese and British heads of the JLG had discussed the Airport Committee. Further meetings

between the two heads would be called before the issue was formally discussed at the next JLG session scheduled for September.

Mr Lu said the Airport Committee should include Hong Kong officials because of many specific details of the project.

The Chinese team yesterday included two department heads of the Hong Kong and Macao Affairs Office, Chen Zuoer and Wang Fengchao, a deputy department head, Xu Ze, and a deputy director of Xinhua News Agency in Hong Kong, Qin Wenjun. Among the Hong Kong team are political adviser William Ehrman and Sir David's private secretary Richard Hoare.

The two sides also agreed that the consultative committee should be formed as soon as possible after British Prime Minister John Major signed the agreement in Beijing, though a date has not been set.

It is believed the body will have fewer than 100 members.

### Lord Caithness Says PRC Has No Airport Veto

HK2707043891 Hong Kong SOUTH CHINA MORNING POST in English 27 Jul 91 p 2

[By Lorna Wong]

[Tex] Britain's relations with China had not yet returned to the level they were at before the 1989 pro-democracy crackdown, the Minister with special responsibility for Hong Kong, Lord Caithness, said yesterday.

This was despite Prime Minister Mr John Major's planned visit to Beijing.

But Lord Caithness said the agreement on Hong Kong's airport development would help to improve Sino-British understanding.

Senior British sources described the agreement as "a significant further stepping stone" to improving bilateral relations, and indicated that Mr Major would go to China in the summer recess of Parliament, though not within the next couple of weeks.

Rejecting criticism that Britain was submitting to China's demand on a veto power, Lord Caithness said of the "Memorandum of Understanding" between the two countries: "They don't have a veto."

However, he refused to give an absolute guarantee to Hong Kong people that this would be the case on all other matters.

On the boat people issue, he described the present situation as a "crisis". He said the camps were reaching bursting point.

If the internationally managed holding centre scheme fails, "other actions will have to be taken", he said.



Lord Caithness refused to spell out whether the Hong Kong Government would consider adopting again the controversial policy of forced repatriation, or follow other ASEAN countries' example of pushing boat people out to sea.

The minister refused to put a time limit on the holding centre scheme. The overwhelming "constraining influence is if the camps overflow", he said.

Lord Caithness said he was aware of the fact that many boat people would not want to go back. There had to be agreement among international organisations on how to get the boat people to return to Vietnam.

If the fifth round of talks in Geneva was fruitful, the Foreign Office would send refugee expert Mr David Colvin and Assistant Under-secretary of State Mr Andrew Burns to Vietnam to discuss other details.

Lord Caithness said he was also prepared to go to Vietnam "if it helps".

#### Refugee Coordinator Cited on 1st Asylum Policy

OW2907155391 Beijing XINHUA in English  
1435 GMT 29 Jul 91

[Text] Hong Kong, July 29 (XINHUA)—The Hong Kong Government can no longer maintain the first asylum policy for Vietnamese boat people if the situation in camps here is likely to get worse, according to a statement issued by refugee coordinator Clinton Leeks here today.

In response to press reporters' questions on the government's first asylum policy, Leeks said, "We continue to believe that the comprehensive plan of action (CPA) remains the best means of resolving the problem of Vietnamese migrants."

"But we have also made clear, including at the fourth steering committee meeting in Geneva on April 30 and May 1, that Hong Kong cannot continue to bear the full weight of the CPA alone," he said.

He said, "The CPA is under-funded internationally. Almost all arrivals are now coming to Hong Kong, and the international community have failed to find a durable means of returning non-refugees to Vietnam."

"In these circumstances," he said, "our camps are now seriously overcrowded and this situation is likely to get worse."

"If it does, we will reach a situation where we can no longer maintain the principle of first asylum under the CPA," he added.

"Hence it is of critical importance to have an early progress on the establishment in Vietnam of internationally managed centers in order to relieve part of the burden on Hong Kong and to achieve a real solution to the problem as a whole," he said.

According to the government information services, the number of Vietnamese boat people arrivals in Hong Kong from January 1 to July 28 this year was 14,736, almost three times the number of arrivals in the corresponding period last year.

#### Threat To End Policy

HK3007025991 Hong Kong SOUTH CHINA  
MORNING POST in English 30 Jul 91 p 3

[By Fiona MacMahon]

[Text] The Government has threatened to end its port of first asylum policy if further strain is put on Hong Kong's overcrowded detention centres and efforts fail to set up an international holding centre in Vietnam.

The warning came yesterday from the Government's Refugee Co-ordinator, Mr Clinton Leeks.

Although there were no immediate plans to end the policy, the situation would deteriorate and the territory would be forced to abandon "first asylum", he said.

Hong Kong has offered refuge to Vietnamese since 1979, but the large number of arrivals this year has pushed to the limit its ability to cope.

The United Nations High Commissioner for Refugees (UNHCR) and relief agencies have been lobbying hard against such a move, arguing that the lives of "people not statistics" would be endangered if boats were forced back out to sea.

Convenor of the Omelco [Office of members of the executive and legislative council] Security Panel, Executive and Legislative Councillor, Mrs Rita Fan Hsu Lai-tai, also doubts the effectiveness of such a move, saying it would provoke a damaging international backlash against Hong Kong.

Mr Leeks said it was critically important there was progress in establishing an international holding centre in Vietnam to take returning non-refugees.

British officials have had talks with their Vietnamese counterparts in Geneva on establishing the centre and hope the talks will move to Hanoi soon.

Mr Leeks said Hong Kong faced a "dreadfully difficult situation" because the internationally agreed Comprehensive Plan of Action (CPA) was not working and was underfunded.

"Almost all arrivals are now coming to Hong Kong and the international community has failed to find a durable means of returning non-refugees.

"In these circumstances our camps are now seriously overcrowded and the situation is likely to get worse.

"If it does, we will reach a situation where we can no longer maintain the principal of first asylum under the CPA," he said.

Ninety-five percent of boat people leaving Vietnam this year have arrived in Hong Kong.

In all, 14,753 boat people have sailed into the territory this year, a 300 percent increase over 1990 which has taken the boat people population to 56,377.

Mr Leeks said Hong Kong had repeatedly warned the international community, most recently at Geneva talks three months ago, that it could not continue to bear the full weight of the CPA alone.

But he admitted that ending the policy would be difficult.

UNHCR's deputy representative, Ms Catherine Bertrand, said the commissioner would be urging the Government to maintain its policy.

The director of Community and Family Services International, Ms Jane Warburton, also wanted the policy to stay, pointing out that even the Government recognised that some of the Vietnamese arriving were genuine political refugees.

"The consequences of failing to do so, if that means pushing off men, women and children in decrepit boats, would undermine everything Hong Kong has achieved by continuing to maintain first asylum through all the difficulties it faced since the 1970s."

#### Editorial Urges Solution

HK2607083791 Hong Kong SOUTH CHINA  
MORNING POST in English 26 Jul 91 p 18

[Editorial: "Britain turns up heat on U.S. over boat people"]

[Text] The complex and delicate negotiations with Vietnam over the establishment of international holding centres for the boat people appear to be moving ahead more speedily than many in Hong Kong would have dared hope just a few months ago. Lord Caithness, the Foreign Office minister with special responsibility for the territory, expressed real confidence yesterday that talks held in Geneva may be so well advanced that they might be moved to Hanoi and stepped up diplomatically as early as next month.

The minister was speaking following a tour of the Shek Kong detention centre, by no means the most overcrowded of Hong Kong's camps, but with 7,500 of the newly-arrived or yet to be screened, still overcrowded and a symptom of an increasing problem. So confident was Lord Caithness that events were gaining momentum that he brought with him on his visit to the territory senior diplomats Mr David Colvin and Mr Andrew Burns, explaining they were here in case all three needed to fly to Hanoi to handle any breakthrough on the issue.

But despite the mood of ministerial optimism, the main stumbling block remains: once the principle of establishing the holding centres has been agreed, how will the boat people be persuaded to retrace their journeys and

return to their homeland? The key to resolving this dilemma will be found not in London, Hanoi or Hong Kong, but in Washington.

Lord Caithness maintained yesterday that America will not stand in the way of repatriation. But his grounds for saying so seemed somewhat dubious. "We have talked to the Americans a lot. Obviously, American opinion is an important opinion, but I noticed their reaction when the Italians sent back people to Albania - which wasn't very much."

He also underscored the importance of moves to improve the Vietnamese economy as a vital way of showing both Vietnam and the boat people that their lot can be improved by agreeing to repatriation. Here again, the solution lies in American hands. Without an end to the blockade of aid that the U.S. has applied since the fall of Saigon, Hanoi cannot hope to mend the industries ruined by decades of fighting, and create wealth and jobs for its citizens.

A few hours after Lord Caithness left Shek Kong, his message was being echoed in the chamber of the House of Commons during a debate called by the chairman of the British-Hong Kong parliamentary group, Sir Peter Blaker. In particular, his message about the importance of U.S. attitudes was spelled out again and again. Junior Foreign Office Minister Mark Lennox-Boyd told MPs the current talks with Vietnam to set up holding centres offered the best chance of reaching a durable and human solution. "We also believe that the Americans now accept the importance of making this idea work," he said.

Sir Peter himself, in moving the debate, criticised the United States for the illogicality of its stand against repatriation, saying that the nation's experiences during the war and publicity afterwards had given the American people the impression Vietnam was a "terrible place". Sir Philip Goodhart called for a speedy end to the economic restrictions imposed by Washington which were hindering the country's advance.

Pressure from the British Government to remove American obstacles to the idea of international holding centres could produce the first genuine progress in years in the search for a way both to convince Hanoi that they will work, and to persuade the territory's swelling population of more than 50,000 boat people that leaving the Hong Kong camps is a way forward and not a step backwards in their lives.

London's pressure on Washington is welcome in Hong Kong. It is keeping the boat people question high on the agenda of issues in the world and creating a climate for change that may push President George Bush into believing, at least, that it is time to change stance.

Britain also repeated yesterday it would consider aid to Vietnam for the purpose of setting up the centres through the European Commission and non-government organisations in Vietnam. This example, too, should be followed by the United States.

**Employees Divert '4 June Funds' to Flood Relief**

HK3007025091 Hong Kong HONGKONG STANDARD  
in English 30 Jul 91 p 1

[By Stanley Leung]

[Text] A group of employees in the financial sector has decided to donate the balance of the money raised after the June 4, 1989, Beijing crackdown to China's flood victims.

A sum of \$200,000 will be passed on to mainland flood victims through the Hong Kong Red Cross.

This is the first known case of a local organisation responding to calls by pro-China organisations to transfer prodemocracy funds to flood relief work on the mainland.

The financial sector collected about \$500,000 in donations after the June 4 crackdown.

Part of the money was subsequently used to fund the campaign for the right of abode in Britain for Hong Kong people.

An open statement issued by an organizing committee member of the "Hong Kong Is Our Home" movement said their fight for British nationality in mid-1989 was supported by almost 20,000 employees in the financial sector.

Two weeks ago, the Hong Kong Alliance in Support of the Patriotic Democratic Movement in China, which is headed by liberals, rejected calls from the Pro-Beijing WEN WEI PAO newspaper to donate the balance of the money it had collected to the flood victims.

Two other pro-democracy organisations said yesterday they had also decided not to use their funds for flood relief.

A spokesman for the Federation of Hong Kong Students said its fund had an outstanding balance of about \$7 million which was raised two years ago to support the pro-democracy movement.

The spokesman said student leaders had decided against allocating the fund to flood relief.

Meanwhile, the XINHUA NEWS AGENCY reported that the local flood relief fund now stood at more than \$600 million.

**Suspected 'Drug Money' Frozen in BCC Closure**

HK2807040491 Hong Kong SOUTH CHINA  
SUNDAY MORNING POST in English 25 Jul 91 p 1

[By Chris Dobson]

[Text] More than \$25 million in suspected drug money was frozen in the Bank of Credit and Commerce [BCC] (Hong Kong) when it was closed down by the Government earlier this month.

The \$25.2 million, restrained in April by the Narcotics Bureau under the Drug Trafficking (Recovery of Proceeds) Ordinance, allegedly belonged to a man under investigation for international drug trafficking.

The \$25.2 million was left in the bank pending a civil action between the police and BCC, and was part of \$125 million frozen by the Government in 35 accounts at four BCC branches.

It is understood the bank wanted to vary the restraining order on the money, which is believed to have been used to offset an unknown amount as a loan.

The remaining \$100 million was frozen by the Narcotics Bureau's financial investigation group out of the bank's control.

The future of the \$25.2 million is not known as it is up to the Government-appointed liquidator, Mr Noel Gleeson, to decide the distribution of the bank's assets.

Chief Superintendent David Hodson, head of the Narcotics Bureau, said the \$125 million was "restrained" following a request by United States authorities under reciprocal drug trafficking agreements.

The alleged drug trafficker, Law Kin-man, who was arrested on December 7, 1989, is in prison pending an appeal against his extradition to stand trial in New York.

The man who allegedly laundered the \$125 million for Law, Lau Chak-man, is on bail pending his trial in Hong Kong next year.

Mr Albert Cheok, deputy commissioner of banking, said this money had nothing to do with "the bank within a bank" system blamed for the downfall of the BCC's parent company.

"This is a totally separate case from the suspected massive fraud in the rest of the group," he said.

But BCC's link to tainted money grew last week when it was revealed jailed businessman Chandru Thanwadas Mirchandani had U.S.\$500,000 (HK\$3.9 million) invested in the bank at the height of his illegal dealings in 1982.

Mirchandani, 56, was convicted in April 1990 on 19 charges of defrauding five banks of \$80 million between 1982 and 1983.

He was sentenced to 8-1/2 years' jail and fined \$30 million.

**Official Confirms Hong Kong's Role as Taiwan Link**

HK2607124391 Hong Kong HONGKONG STANDARD  
in English 26 Jul 91 p 10

[By Stanely Leung]

[Text] Hong Kong is playing, and will continue to play, an indispensable role in the exchanges and communication between mainland China and Taiwan.



Both sides of the Strait are apparently trying to make use of Hong Kong to achieve their goals in the whole question of unification.

Undoubtedly, Hong Kong played a unique role in the past, especially when contacts between people of the two sides were totally banned.

Doubts were cast as to whether Hong Kong's role as a bridge between the two places could be retained after Taipei relaxed its ban on the so-called "three communications" of transport, mail and trade with the mainland in future.

Some people believed Hong Kong's role would diminish once the two sides had direct trade and flights to each other's territory.

Hong Kong's role in the game was spelt out clearly by a Chinese official dealing with Taiwan affairs last month. He said Hong Kong was an ideal place for face-to-face communications between key political figures from both sides.

Wong Man-fong, a deputy secretary-general and head of the Taiwan Affairs Department of the XINHUA NEWS AGENCY, told a dinner meeting that Hong Kong's role could never be replaced by Singapore, as suggested by some people.

He made the statement at a time when more Taiwan officials dealing with mainland affairs and mainland officials dealing with Taiwan affairs were visiting Hong Kong.

The mainland officials included three deputy directors of the Taiwan Affairs Office under the State Council—Tang Shubei, Sun Xiaoyu and Li Qingzhou.

The senior Taiwan officials who came to Hong Kong last month included Cheyne Chiu, deputy secretary-general and spokesman of the Presidential Office, and Chu Wu-hsien and Li Wei-lien of Taiwan's Mainland Affairs Council.

In future, Hong Kong is tipped to become the venue for preparatory talks between the two sides on the question of China's unification.

At a reception earlier this month, the Governor, Sir David Wilson, said Hong Kong played a positive role in the exchanges between the mainland and Taiwan when he responded to a call for Hong Kong to become an ideal place for cross-Strait communication.

Hong Kong played a crucial role in the handover of a China airlines plane back to Taiwan after its pilot defected to the mainland in 1986.

The Government's policy of allowing visits by Taiwanese officials had not changed. "There won't be any problems as long as they are not engaged in political activities."

Speaking at a dinner function, Mr Wong of XINHUA said that during the 38 years ending in the late 1970's, the two sides were totally separated, with Hong Kong becoming their only contact point.

He said the two sides started to establish some unofficial contacts from 1979, the year three Taiwanese travelled to the mainland and returned home safely.

The number of visitors increased to 225 the following year, and in the eight years to October 1987, some 40,000 Taiwanese visited the mainland.

The number rose dramatically to 430,000 in 1988—10 times the total for the previous eight years after the late president, Chiang Ching-kuo, decided to relax restrictions on visits to the mainland in November 1987.

The figure continued to climb to 520,000 in 1989 and to a record 920,000 last year.

For the eight-year period ending 1987, the value of entrepot trade between the two sides going through Hong Kong was estimated at U.S.\$5.6 billion (HK\$43.68 billion).

Except for a small number of fishermen, more than 99.5 percent of the visits from both sides had to go through Hong Kong.

As a bridge for the two states, Hong Kong's business and tourism sectors gained not inconsiderably.

Generally, Hong Kong's functions could be summarised as follows:

- A venue for meetings between representatives (not necessarily officials) from the two sides on urgent and sensitive matters.
- A point for academic and cultural exchanges.
- A place for either side to gather intelligence on the other.
- A port for entrepot trade between the two sides and a base for Taiwanese investments to the mainland.
- A connecting point for Taiwanese travelling to the mainland.
- A channel for telecommunications.

Of these functions, the most beneficial for Hong Kong is entrepot trade.

Recently, the Beijing-affiliated CHINA NEWS SERVICE said in a commentary that Hong Kong was the meeting point of the economic exchanges between the two sides. It described Hong Kong's economic functions as follows:

- A bridge where local businessmen carried out preparations for the two sides to promote trade.
- An entrepot for trade.
- The springboard for Taiwan's investments in the mainland.
- A middleman for the flow of capital.
- A collection and transmission centre for business information.
- A place of contacts between businessmen, experts and scholars from the two sides of the Strait.
- A channel through which Taiwanese merchants travel to the mainland.
- An outpost for the two sides' financial and trading companies.
- Venue of product exhibits from both sides.

—Provider of services such as arbitration and trademark arrangements.

The commentary said Hong Kong's other advantages included strategic location, human relations and language, which could not be equalled by other places.

It said that so far, China and Taiwan had invested a combined U.S.\$20 billion on each side and that Hong Kong played a big part in the investments becoming a

reality. Entrepot trade was growing at 40 percent a year and more Taiwan capital was pouring into the mainland through Hong Kong.

Zheng Hongye, chairman of the China Chamber of International Commerce, said statistics showed that indirect trade had risen sharply in recent years, to U.S.\$4 billion last year from U.S.\$70 million in 1979.

Turnover in the first four months of this year had already reached U.S.\$1.56 billion, he said.

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